TaiHe

Yangzhou Guangling District Taihe Rural Micro-finance Company Limited

揚州市廣陵區泰和農村小額貸款股份有限公司

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

Stock Code: 1915

2022
ANNUAL REPORT

Contents

Company Profile

DIRECTORS

Executive Directors

Mr. Bo Wanlin *(Chairman)*
Ms. Bai Li
Ms. Zhou Yinqing

Non-executive Directors

Mr. Bo Nianbin
Mr. Zuo Yuchao

Independent non-executive Directors

Mr. Bao Zhenqiang
Mr. Wu Xiankun
Mr. Chan So Kuen

SUPERVISORS

Ms. Wang Chunhong
Mr. Zhang Yi
Ms. Li Guoyan

BOARD COMMITTEES

Audit committee

Mr. Chan So Kuen *(Chairman)*
Mr. Wu Xiankun
Mr. Bao Zhenqiang

Remuneration committee

Mr. Bao Zhenqiang *(Chairman)*
Mr. Chan So Kuen
Mr. Wu Xiankun

Nomination committee

Mr. Bo Wanlin *(Chairman)*
Mr. Wu Xiankun
Mr. Bao Zhenqiang

Company secretary

Mr. Lau Kwok Yin *(HKICPA, FCG HKFCG)*

Authorised representatives for The Stock Exchange of Hong Kong Limited

Mr. Bo Wanlin
Mr. Lau Kwok Yin
Ms. Ching Suet Fan (alternate authorised representative to Mr. Lau Kwok Yin)

Headquarters and registered office in the PRC

Beizhou Road, Lidian Town, Guangling District
Yangzhou City, Jiangsu Province, the PRC

Principal place of business in Hong Kong

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Company website address

www.gltaihe.com

Stock code

1915

Auditors and reporting accountants

Ernst & Young
Certified public accountant
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Legal adviser as to Hong Kong law

DeHeng Law Offices (Hong Kong) LLP
28/F, Henley Building
5 Queen's Road Central
Central
Hong Kong

Legal adviser as to PRC law

Commerce & Finance Law Offices
12-14/F, China World Office 2
No.1 Jianguomenwai Avenue
Beijing, the PRC

H Share registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal bankers

Agricultural Bank of China
(Yangzhou Jiangwang Branch)
Room B6, Wanduwujinjidiancheng
Jiangwang Town
Hanjiang District
Yangzhou City
Jiangsu Province
The PRC

Bank of Communications Co., Ltd. (Hong Kong Branch)
20 Pedder Street
Central, Hong Kong

Financial Highlights

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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the results of the Group for the year ended 31 December 2022 to the shareholders of the Company (the "**Shareholder(s)**").

For the year ended 31 December 2022, the Group recorded gross interest income of approximately RMB51.9 million and loss after tax of approximately RMB9.8 million. As at 31 December 2022, the Group's balance of outstanding loans (before allowance for impairment losses) was approximately RMB924.2 million. Total assets as at 31 December 2022 were approximately RMB897.8 million.

Over the years, the Group has been committed to providing flexible, convenient and efficient microfinance services to Yangzhou small and medium-sized enterprises (中小企業), microenterprises (小微企業), individual industrial and commercial households (個體工商戶), and three rural enterprises (三農企業), providing customers with efficient and fast short-term business financing needs.

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Company has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. The Company has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. Besides, we will continue to explore opportunities to expand our business portfolio and diversify our revenue sources, keep pace with the times with an aim to bring valuable returns to its Shareholders.

Since our establishment, we have been awarded a number of honorary titles, including "Top Ten Star Microfinance Companies (十佳明星小貸公司)" and "Model and Star Microfinance Companies (標兵明星小貸公司)" in Yangzhou City by Yangzhou Local Finance Supervision Administration (揚州市地方金融監督管理局) for many consecutive years, and our various business development have been fully affirmed by local regulatory authorities in recognition of our quality micro and small loan business.

Looking ahead, the Board and our employees will make pioneering and innovative efforts and keep pace with the times and to create greater values for our customers, Shareholders and investors. We will also conduct regular evaluations on the Board's performance, strike to maintain the Board having a balance of skills, experience and diversity perspectives appropriate to the requirements of the Group's businesses as well as ensure our culture, values and strategies are aligned.

On behalf of the Board, I would like to extend my gratitude to all Shareholders for their continuous support. I would also like to express my sincere thanks to our employees for their dedication and contributions to the Group.

Best regards,
Bo Wanlin
Chairman
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited

Yangzhou, the PRC, 24 March 2023

Management Discussion and Analysis

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

BUSINESS REVIEW

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

The number of customers

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

Loan portfolio by size

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

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

Loan portfolio by security

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

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

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

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

Asset quality

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

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

PROVISIONING POLICIES AND ASSET QUALITY:

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

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

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

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

Notes:

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

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

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

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

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

FINANCIAL REVIEW

Interest income

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

Interest expense

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

Accrual of provision for impairment losses

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

Overall of loans impairment losses recognized

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Administrative expenses

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

Selling and marketing expenses

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

Other income, net

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

Income tax expense

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

Profit/(loss) after tax and total comprehensive income

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

Significant investments

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

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

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

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

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

Foreign exchange risk

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

Liquidity, financial resources and capital structure

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

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

Treasury policy

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

Indebtedness and charges on assets

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

Contingent liabilities

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

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

The Group provides financial guarantee services on an occasional basis.

Off-balance sheet arrangements

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

DIVIDEND POLICY

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

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

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

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

FINAL DIVIDEND

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

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

DIVIDENDS

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

MATERIAL LITIGATION AND ARBITRATION

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

EMPLOYEES AND REMUNERATION POLICIES

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

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

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

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

For further details of the Group's environmental performance and relationship with its employees, suppliers and customers, please refer to the Environmental, Social and Governance Report set out in this annual report.

CORPORATE DEVELOPMENT STRATEGIES AND OUTLOOK

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

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

DIRECTORS

Executive Directors

Mr. Bo Wanlin (柏萬林), aged 74, is the chairman of the Board and executive Director. He is primarily responsible for corporate strategic planning and overall business development and management of the Company. He is also the chairman of the nomination committee. Mr. Bo has been the chairman and executive Director since the incorporation of the Company in November 2008. Mr. Bo is the father of Mr. Bo Nianbin and Ms. Bai Li.

From February 1973 to December 1990, Mr. Bo was the director and the secretary of branch of the Party of Yangzhou Zhenxing Garment Factory (揚州市振興服裝廠) (a garment manufacturing and sales company), and was fully responsible for company's operations and management as well as the Party and political works. From January 1991 to July 1996, Mr. Bo was the chairman and general manager of Jiangsu Qinman Group Limited (江蘇琴曼集團有限公司), and was fully responsible for company's operations and management. From August 1996 to November 2014, Mr. Bo Wanlin was the chairman of Jiangsu Botai Group Co., Ltd. (江蘇柏泰集團有限公司) ("**Botai Group**") (a garment manufacturing, import and export, sales, and investment management company), formulating the company's operational development strategy and planning, overseeing the operations and management of the company. From November 2009 to September 2014, Mr. Bo was a director of Jiangsu Hanjiang Mintai Rural Bank Co., Ltd. (江蘇邗江民泰村鎮銀行股份有限公司), involved in the formulation of the company's operational development strategy and planning. From October 2013 to January 2015, Mr. Bo served as a supervisor of Yangzhou Guangling Zhongcheng Rural Bank Co., Ltd. (揚州廣陵中城村鎮銀行股份有限公司) to supervise the performance of the board of directors of the company.

Mr. Bo once served as the chairman and legal representative of Yangzhou Weiyi Garment Manufactory Co., Ltd. (揚州唯一製衣有限公司), a company incorporated in the PRC. Its business scope includes manufactory and sale of luxury garment. Since this company no longer carried on business and did not conduct annual inspection, the business license of this company was revoked on 16 April 2008. Mr. Bo once served as the supervisor of Jiangsu Kaichang Garment Co., Ltd. (江蘇凱昌服裝有限公司), a company incorporated in the PRC. Its business scope includes manufacture and sale of garment. Since this company no longer carried on business and did not conduct annual inspection, the business license of this company was revoked on 2 December 2010. Mr. Bo confirmed that there was no wrongful act on his part leading to the revocation of business licenses of the aforesaid companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of such revocation of business licenses.

Mr. Bo completed his secondary school education in Jiangsu Province Hanjiang Middle School (江蘇省邗江中學) in the PRC in 1968.

Ms. Bai Li (柏莉), aged 47, is the executive Director, chief executive and the general manager of the Company. She is primarily responsible for formulating and implementing the Company's corporate strategies, overseeing the Company's overall business development and participating in the day-to-day management of the Company's business operations. Ms. Bai was appointed as the executive Director on 23 August 2012. She joined the Company on 1 July 2010 as a deputy general manager and was subsequently promoted as a general manager and chief executive on 6 May 2013 responsible for overall management and operations. Ms. Bai is the daughter of Mr. Bo Wanlin and the sister of Mr. Bo Nianbin.

From August 1998 to March 2010, Ms. Bai was a customer manager of the Bank of Communications Co., Ltd. Yangzhou Branch (交通銀行股份有限公司揚州分行) (stock code: 601328.SH, 3328.HK), and was responsible for loan investigation and issue. From March 2010 to August 2012, Ms. Bai was a supervisor of Botai Group, and was responsible for supervising the performance of the board of directors of the company.

Ms. Bai graduated from Yangzhou University (揚州大學) in the PRC in July 1997 majoring in international business.

Ms. Zhou Yinqing (周吟青), aged 44, is the executive Director, the deputy general manager and secretary to the Board of the Company. She is primarily responsible for overseeing the financial management of the Company. Ms. Zhou was appointed as the executive Director on 6 May 2013 and as a deputy general manager on 10 March 2014. She was also appointed as the secretary to the Board of the Company on 28 June 2021.

From March 1996 to March 2014, Ms. Zhou worked in the Botai Group, where she last served as its financial controller and was responsible for the financial management of Botai Group.

Ms. Zhou graduated from Central Radio and Television University (中央廣播電視大學, currently known as The Open University of China (國家開放大學)) in the PRC in July 2007, majoring in financial accounting.

Non-executive Directors

Mr. Bo Nianbin (柏年斌), aged 48, is the non-executive Director. He is primarily responsible for attending meetings of the Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. Mr. Bo has been the non-executive Director since the incorporation of the Company in November 2008. Mr. Bo is the son of Mr. Bo Wanlin and the brother of Ms. Bai Li.

Since April 1995, Mr. Bo has served as a director of Botai Group. He was responsible for formulating the company's operational development strategy and planning. From July 2001 to March 2019, Mr. Bo served as a director and general manager of Yangzhou Bo Tai Garment Company Limited (揚州柏泰製衣有限公司), a company that manufactures and sells garments, and was fully responsible for the company's operation and management. From November 2004 to the present day, Mr. Bo served as a supervisor of Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd. (江蘇聯泰時尚購物廣場置業有限公司), which principally engaged in the business of household building materials, and was responsible for supervising the company. From November 2014 to the present day, Mr. Bo served as a supervisor of Shanghai Boke Fashion Co., Ltd. (上海柏可時裝有限公司), a garment sales company, and was responsible for supervising the performance of the board of directors of the company. Since December 2014, Mr. Bo has been the chairman of Botai Group and is responsible for the formulation of the company's operational development strategy and planning and overseeing the company's operation and management. Since March 2017, Mr. Bo has been the chairman of Jiangsu Botai Company Limited (江蘇柏泰股份有限公司), a company that manufactures and sells garment, and is fully responsible for the operation and management of the company.

Mr. Bo completed his secondary school education in Jiangsu Province Yangzhou Middle School (江蘇省揚州中學) in the PRC in May 1992.

Mr. Zuo Yuchao (左玉潮), aged 51, is a non-executive Director. He is primarily responsible for attending meetings of the Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. Mr. Zuo joined the Company in 12 November 2008 as a non-executive Director.

From July 1992 to December 1999, Mr. Zuo served as a loan officer of Agricultural Bank of China Limited Yangzhou Guangling Branch (中國農業銀行揚州廣陵支行) (stock code: 601288.SH and 1288.HK) for loan review. Since December 1999, Mr. Zuo has been the general manager (last position) of Botai Group and is fully responsible for the company's operation and management. From March 2017 to the present, Mr. Zuo has been serving as chairperson of the supervisory committee of board in Jiangsu Botai Company Limited (江蘇柏泰股份有限公司), a company that manufactures and sales garment, and has been responsible for supervising the performance of the board of directors of the company.

Mr. Zuo graduated from Suzhou Urban Construction and Environmental Protection Institute (蘇州城建環保學院) (currently known as Suzhou University of Science and Technology (蘇州科技學院)) in the PRC in July 1992 majoring in real estate management.

Independent non-executive Directors

Mr. Bao Zhenqiang (包振強), aged 60, was appointed as an independent non-executive Director on 31 May 2016. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. He is also the chairman of the remuneration committee, and a member of the audit committee and the nomination committee.

Mr. Bao has over 35 years of teaching experience in the field of academic research and teaching. From February 1982 to July 2004, Mr. Bao was a teacher at Yangzhou University (揚州大學) and since July 2004, he has been a professor at Yangzhou University (揚州大學) and has been engaging in academic research and teaching.

Mr. Bao graduated from Yangzhou Industrial College (揚州工業專科學校) (currently known as Yangzhou University (揚州大學)) in the PRC in December 1981 majoring in mechanical manufacturing. He obtained a doctorate degree in electric engineering from the Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in the PRC in December 2003.

Mr. Wu Xiankun (吳賢坤), aged 72, was appointed as an independent non-executive Director on 15 January 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. He is also a member of the remuneration committee, the audit committee and the nomination committee.

Mr. Wu has over 37 years of experience in teaching and administrative management. From February 1981 to July 1983, Mr. Wu was a teacher in Hanjiang County Middle School (邗江縣中學). From September 1983 to September 2000, Mr. Wu was the principal of Guangling Beizhou Middle School (廣陵北洲中學) and engaged in teaching and administrative work. From September 2000 to June 2010, Mr. Wu was the Party secretary of Hanjiang Secondary School (邗江中等專科學校) and was responsible for the party and government work.

Mr. Wu graduated from Yang Zhou Normal College (揚州師範學院) (currently known as Yangzhou University (揚州大學)) in the PRC in January 1981 majoring in Chinese.

Mr. Chan So Kuen (陳素權), aged 43, was appointed as an independent non-executive Director on 15 January 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. He is also the chairman of the audit committee and a member of the remuneration committee.

Mr. Chan has over 15 years of experience in accounting, auditing and finance industry. He is also a member of the Hong Kong Institute of Certified Public Accountants. From June 2001 to October 2003, Mr. Chan was a semi-senior audit clerk of Shinewing (HK) CPA Limited (信永中和(香港)會計師事務所有限公司) (formerly known as Ho and Ho & Company (何錫麟會計師行)). From January 2004 to July 2009, Mr. Chan worked in KPMG where he last served as a manager, and was responsible for the project audit. From November 2009 to October 2012, Mr. Chan was the chief financial officer and the company secretary of China Great Wall Electric Holdings Limited (中國長城電氣控股有限公司), and was responsible for compliance and overall financial and accounting activities. From February 2014 to December 2022, Mr. Chan was the chief financial officer of Huazhang Technology Holding Limited (華章科技控股有限公司) (stock code: 1673.HK) and was responsible for internal control and overseeing financial and accounting activities. Since October 2014, Mr. Chan has served as an independent non-executive director of Link Holdings Limited (華星控股有限公司) (stock code: 8237.HK), providing independent judgment on the issues of strategy, performance, resources and standard of conduct. Since January 2023, Mr. Chan has served as an independent non-executive director of Beijing SinoHytec Co., Ltd. (北京億華通科技股份有限公司) (stock code: 2402.HK).

Mr. Chan obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University (香港理工大學) in November 2001. He has been a member of the Hong Kong Institute of Certified Public Accountants since April 2005.

Biographical Details of Directors, Supervisors and Senior Management

SUPERVISORS

Ms. Wang Chunhong (王春宏), aged 73, was appointed as the chairperson of the supervisory committee and the supervisor of the Company (the "**Supervisor**") on 15 January 2015.

From August 1988 to July 2005, Ms. Wang was a teacher of Hanjiang Professional Education Centre (邗江職教中心) where she engaged in teaching and research. Ms. Wang has retired since August 2005 and has not been engaged in any employment until her current position with the Company.

Ms. Wang graduated from the Long Distance Learning School of China Central Party School (中共中央黨校函授學院) in the PRC, through distance learning, in December 1999.

Ms. Li Guoyan (李國彥), aged 43, was appointed as the Supervisor on 15 January 2015. Ms. Li has been an associate professor of the School of Economics and Management of Nanjing Institute of Industry Technology (南京工業職業技術學院), where she has been responsible for research and teaching since July 2018. Prior to that, Ms. Li had been a teacher at Nanjing University of Aeronautics and Astronautics (南京航空航天大學) since July 2005, where she has been responsible for teaching.

Ms. Li graduated from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in the PRC in June 2001 majoring in engineering management. She then obtained a master's degree in technical economics and management and a doctor's degree in management science and engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in the PRC in April 2005 and October 2017, respectively.

Mr. Zhang Yi (張翼), aged 37, was appointed as the employee Supervisor with effect from May 2013. Mr. Zhang obtained a bachelor's degree in international business from Yangzhou University (揚州大學) in the PRC in June 2009.

Mr. Zhang joined our Company in December 2011 as account manager, and currently serves as a department manager of the customer service department in our Company and he is responsible for preliminary review of loan applications.

From August 2010 to November 2011, Mr. Zhang was the product R&D personnel in Jiangsu Ruilian Electronic Technology Co., Ltd. (江蘇瑞聯電子科技有限公司) where he engaged in new product development.

SENIOR MANAGEMENT

Ms. Bai Li (柏莉), aged 47, is the executive Director, chief executive and the general manager of the Company. Please refer to her biography above for details.

Ms. Zhou Yinqing (周吟青), aged 44, is the executive Director, the deputy general manager and secretary to the Board of the Company. Please refer to her biography above for details.

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Company's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Company's business.

The Company has applied and complied with the principles and code provisions as set out in the part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2022. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements, so as to meet the rising expectations of the Shareholders and investors of the Company.

Corporate Governance and Environmental, Social and Governance ("ESG")

Corporate governance provides the framework within which the Board forms its decisions and build its businesses with the aim to creating long-term sustainable growth for Shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows the Group to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The Board is responsible for effective governance and overseeing ESG matters, as well as assessing and managing material environmental and social risks. For details of the ESG matters during the year ended 31 December 2022, please refer to the section headed "Environmental, Social and Governance Report" set out on pages 56 to 69 of this annual report.

Compliance with the Required Standard of Dealings in Securities

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the requirements of the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of all the Directors and Supervisors, each of them has confirmed that he/she has complied with the code of conduct regarding securities transactions by Directors and Supervisors adopted by the Company throughout the year.

A. CORPORATE STRATEGIES, BUSINESS MODEL AND CULTURE

Corporate Vision

To build Taihe as Jiangsu first-class and well-known domestic small loan corporation.

Corporate business philosophy

Micro, decentralized, meeting customers' multiple credit needs.

Talent Development

To build a community of interests with the primary management. To build a community of honor with the middle management. To build a community of spirits with the senior management.

We are committed to providing flexible, convenient and efficient microfinance services to Yangzhou small and medium-sized enterprises (中小企業), microenterprises (小微企業), individual industrial and commercial households (個體工商戶), and three rural enterprises (三農企業), providing customers with efficient and fast short-term business financing needs.

The Group will continue to explore opportunities to expand its business portfolio and diversify its revenue sources, keep pace with the times with an aim to bring valuable returns to its Shareholders. The Board and our employees will make pioneering and innovative efforts and keep pace with the times to create greater values for our customers, Shareholders and investors.

We will also conduct regular evaluations on the Board's performance and strive to ensure that the Board maintains a balance of skills, experience and diversity perspectives suitable for the Group's businesses as well as to ensure that culture, values and strategies are aligned.

For details relating to the business performance and financial review of the Company during the year, please refer to the section headed "Management Discussion and Analysis" of this annual report.

B. DIRECTORS

B.1 Board of Directors

The Company is governed by the Board which is responsible for leadership and control of, and promoting the success of the Company. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Group.

All the Directors carry out their duties in good faith and are in compliance with applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

Formal service agreements/letters of appointment have been entered into with the executive Directors, non-executive Directors and the independent non-executive Directors respectively setting out the key terms and conditions of their respective appointments. The term of office of each Director is three years.

The insurance cover in respect of legal action against the Company's Directors and senior officers is covered by the existing Directors & Officers Liability Insurance Policy of the Company.

Save as disclosed in the biographies of Directors, Supervisors and Senior Management, which are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report, to the best knowledge of the Directors, there is no other personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors, the Chairman of the Board and the chief executive of the Company.

B.2 Board composition

The Board currently comprises of the following Directors:

Executive Directors

Mr. Bo Wanlin *(Chairman)*
Ms. Bai Li
Ms. Zhou Yinqing

Non-executive Directors

Mr. Bo Nianbin
Mr. Zuo Yuchao

Independent non-executive Directors

Mr. Bao Zhenqiang
Mr. Wu Xiankun
Mr. Chan So Kuen

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Company.

During the year ended 31 December 2022, the Company has complied with Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 3.13 of the Listing Rules. The Company has received written confirmation from each of the independent non-executive Directors regarding their independence as required under the Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

The Company fully understands that an independent Board is the key to a good corporate governance and efficient Board. The Board has developed mechanism to ensure the Board will receive independent views and opinions, and will review the performance and effectiveness of the mechanism annually. The summary of the mechanism is as follows:

1. The Nomination Committee strictly adheres to the nomination policy of the Company with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

2. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence and the Nomination Committee will then convene a meeting to discuss and assess his/her independency and recommend to the Board to take appropriate actions if applicable. Every Nomination Committee member abstains from assessing is/her own independence.

3. The Company will avoid offering specific categories of remuneration, such as share options or granting of loans or other financial assistance) to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

B.3 Chairman and Chief Executive

The position of the Chairman of the Board is held by Mr. Bo Wanlin, who provides leadership for the Board to ensure its effective operation. Ms. Bai Li has been acting as the chief executive of the Company. Ms. Bai focuses on the Company's business development, daily management and general operations. The roles and responsibilities between the Chairman of the Board and the chief executive are separated and are clearly defined in writing.

B.4 Responsibilities and delegation of functions

The Company has formalized and adopted written terms on the division of functions reserved to the Board and those delegated to the management of the Company. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "**Company Secretary**") and senior management of the Company, with a view to ensuring compliance with the Board procedures and all applicable laws and regulations. Any Director may request independent professional advice (including but not limited to auditors, independent financial advisors, valuers and other related professional parties) in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Company are delegated to the executive Directors and senior management of the Company. The Board has delegated a schedule of responsibilities to senior management for the implementation of the Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid senior management have to obtain the Board's approval.

According to the Articles of Association, when the Board considers any transaction between the Company or any of its subsidiaries and the controlling shareholder of the Company or any associate of such controlling shareholder (excluding the Company and its subsidiaries), any director who is concurrently serving as a director and/or senior management of the controlling shareholder of the Company or any subsidiary of such controlling shareholder (excluding the Company and its subsidiaries) shall abstain from voting, and shall not be counted in the quorum present at such Board meeting. Independent non-executive Directors who, and whose associates (as defined in Listing Rules), have no material interest in the transaction should be present at that Board meeting.

The Board is responsible for performing the corporate governance duties, which include (but not limited to):

(1) to develop and review the policies and practices on corporate governance of the Company;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

B.5 Appointment, re-election and removal of directors

Pursuant to Article 103 of the Articles of Association, all current Directors were re-elected at the annual general meeting on 12 June 2020 for a term of three years.

B.6 Board meetings, general meetings and procedures

A total of four regular Board meetings and the 2021 annual general meeting on 8 June 2022 (the "**2021 AGM**") were held during the year ended 31 December 2022. The attendance of Directors at the Board meetings and the 2021 annual general meeting during the year is contained in the following table:

	Number of Board meetings attended in person/ attended by proxy/ Number of Board meetings	Attended in person at the 2021 AGM/ Number of general meeting
Mr. Bo Wanlin	4/0/4	1/1
Ms. Bai Li	4/0/4	1/1
Ms. Zhou Yinqing	4/0/4	1/1
Mr. Bo Nianbin	4/0/4	1/1
Mr. Zuo Yuchao	4/0/4	1/1
Mr. Bao Zhenqiang	4/0/4	1/1
Mr. Wu Xiankun	4/0/4	1/1
Mr. Chan So Kuen	4/0/4	1/1

During the year ended 31 December 2022, a meeting was held between the chairman of the Board and the independent non-executive Directors, without the presence of other Directors.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Schedules for regular Board meetings and agenda of each Board meeting are sent to all Directors in advance. Prior notice of at least 14 days is given to all Directors for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Agenda and relevant documents of the meeting are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The secretary to the Board is responsible for keeping minutes of all Board and committee meetings. Draft minutes are normally circulated to all Directors and/or relevant committee members for comments within a reasonable time after each meeting and the final version is open to Directors for inspection. The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest conflicts.

B.7 Continuous professional development

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Company and such materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been provided monthly updates by the management, giving a balanced and understandable assessment of the Group's performance, financial position and prospects to keep the Directors' abreast of the Group's affairs in order to discharge their duties. Updates on the latest developments regarding the Listing Rules and other applicable regulatory requirements have been provided to all Directors from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2022, all Directors had participated in the trainings for continuous professional development in the following manner in compliance with code provision C.1.4 of the CG Code:

Name of Directors	Type of training
Mr. Bo Wanlin	A, B
Ms. Bai Li	A, B
Ms. Zhou Yinqing	A, B
Mr. Bo Nianbin	A, B
Mr. Zuo Yuchao	A, B
Mr. Bao Zhenqiang	A, B
Mr. Wu Xiankun	A, B
Mr. Chan So Kuen	A, B

A: attending seminars/courses/conference to develop professional skills and knowledge

B: reading materials in relation to regulatory update

B.8 Corporate governance functions

As mentioned in the paragraph B.4 "Responsibilities and delegation of functions"above, the Board is responsible for performing the corporate governance duties. During the year, the Board has reviewed the Company's policies and practices on corporate governance and compliance with the CG Code, reviewed and monitored the continuous professional development of the Directors and also reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.

C. BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee (the "**Audit Committee**") of the Board, the nomination committee (the "**Nomination Committee**") of the Board and the remuneration committee (the "**Remuneration Committee**") of the Board with written terms of reference, which are available for viewing on the websites of the Company and the Stock Exchange, to assist them in the efficient implementation of their functions.

C.1 Audit Committee

The Audit Committee was established by the Company on 31 January 2015. The terms of reference of the Audit Committee was adopted in compliance with the CG Code and was amended on 17 July 2019. The primary duties of the Audit Committee are mainly to (i) review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function or external auditors before submission to the Board; (ii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures.

As at 31 December 2022, the Audit Committee has three members comprising Mr. Chan So Kuen (Chairman), Mr. Wu Xiankun and Mr. Bao Zhenqiang, all of whom are independent non-executive Directors. During the year, the Audit Committee had reviewed the annual results and reports of the Company for the year ended 31 December 2021, and the interim results and reports of the Company for the six months ended 30 June 2022. Subsequent to 31 December 2022 and up to the date of this report, all members of the Audit Committee had attended a meeting to review (i) the effectiveness of the Company's risk management and internal control systems during the year; (ii) the effectiveness of the Company's internal audit function; and (iii) the Company's annual results and the annual results announcement for the year ended 31 December 2022 and were of the opinion that the preparation of such results complied with the applicable accounting standards, Listing Rules and that adequate disclosure have been made.

Two meetings of the Audit Committee were held during the year and the attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Chan So Kuen *(Chairman)*	2/2
Mr. Wu Xiankun	2/2
Mr. Bao Zhenqiang	2/2

C.2 Nomination Committee

The Company has established the Nomination Committee on 31 January 2015 with written terms of reference in compliance with the CG Code. The terms of reference was amended on 17 July 2019. The primary duties of the Nomination Committee are mainly to (i) review the structure, size and composition (including but not limited to the perspectives, skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the board diversity policy and nomination policy of the Company; (iii) assess the independence of independent non-executive Directors of the Company; (iv) make recommendations to the Board on the appointment or re-appointment of Directors of the Company and succession planning for Directors of the Company, in particular the chairman and the chief executive; and (v) review the board diversity policy and nomination policy of the Company regularly and in any event, at least once a year.

As at 31 December 2022, the Nomination Committee has three members comprising of one executive Director, Mr. Bo Wanlin (Chairman) and two independent non-executive Directors, namely Mr. Wu Xiankun and Mr. Bao Zhenqiang. During the year, a meeting of the Nomination Committee was held to review the structure and composition of the Board, assess the independence of independent non-executive Directors and review the board diversity policy and nomination policy of the Company. The attendance of each member of the Nomination Committee during the year is contained in the following table:

	Number of attendance/ Number of meeting
Mr. Bo Wanlin *(Chairman)*	1/1
Mr. Wu Xiankun	1/1
Mr. Bao Zhenqiang	1/1

Diversity in Board and Workforce

Board Diversity Policy

The Board adopted a Board diversity policy (the "**Board Diversity Policy**") on 31 January 2015 which was subsequently amended on 8 November 2018. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board, and the determination of the composition of the Board members will not focus on single diversified level.

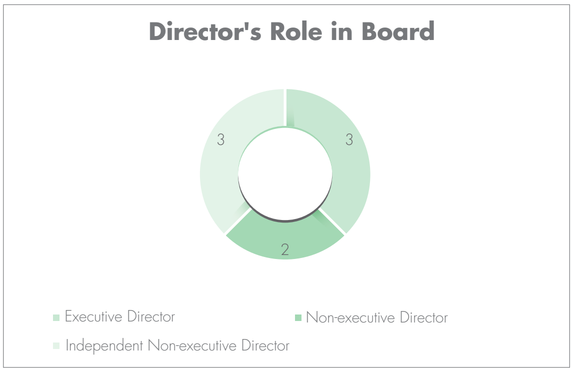
The Company commits to selecting the best person for the role. Selection and nomination of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge, views, time contribution and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Nomination Committee had made recommendations to the Board on the measurable objectives for implementing the Board Diversity Policy and nomination policy.

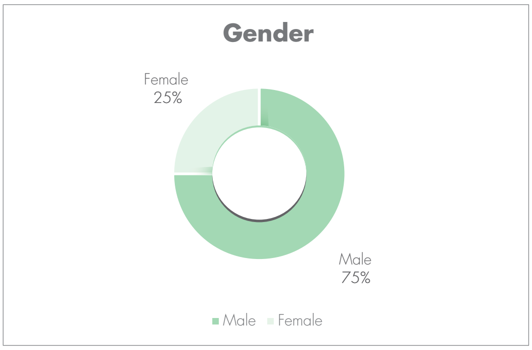
The Nomination Committee has considered measurable objectives based on various focus areas, including but not limited to gender, age, professional experience and length of service to implement the Board Diversity Policy. Such objectives will be reviewed from time to time as and when appropriate and at least once a year to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy as appropriate and at least once a year to ensure its continued effectiveness from time to time.

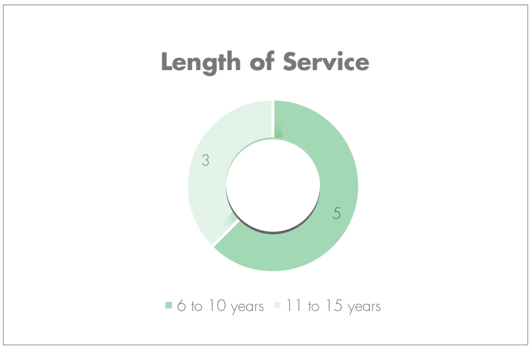
The Board Diversity Policy has been reviewed by the Board during the year and the Board considered that the Board Diversity Policy should be maintained with no change. After thorough consideration, the Board is of the view that the Board Diversity Policy has been implemented effectively.

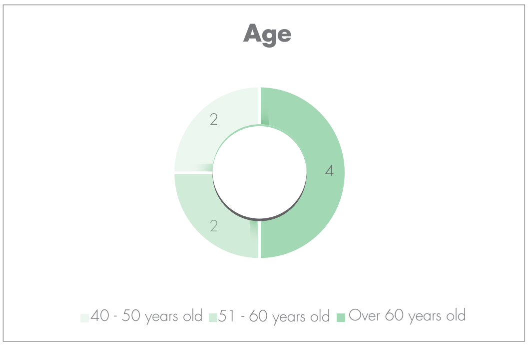
Diversity in Board

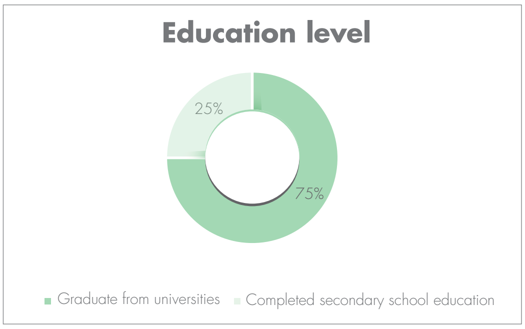
During the year ended 31 December 2022 and as at the date of this annual report, the composition of the Board is set out below:











1. The Board comprises 8 directors, 3 of whom were executive Directors, 2 of whom were non-executive Directors and 3 of whom were independent non-executive Directors. The Company has complied with the Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least 3 independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise.

2. The Board has 2 female members (representing 25% of the Board) and 6 male members (representing 75% of the Board).

3. The Board has 8 members, 5 of whom have served to the Board between 6 to 10 years and 3 of whom have served to the Board between 11 to 15 years.

4. Members of the Board have a reasonable age structure, with 4 of whom between 40-50 years old, 2 of whom between 51-60 years old, and 2 of whom above 60 years old.

5. There were 6 members (representing 75% of the Board) graduated from the universities with Bachelor Degree in International Business, Mechanical Manufacturing, Accountancy, Financial Accounting, Chinese and Real Estate Management and one of whom also obtained Doctorate Degree in Electric Engineering.

6. Members of the Board possess wide range of professional knowledge and working experience (covering, among others, loan investigation and related issues, corporate strategic planning, business development, administrative management, business operations, finance and financial affairs, auditing, compliance & internal control, academic research) in various industries (including but not limited to the garment manufacturing, mechanical manufacturing, sales, import & export, banking, teaching, accounting, audit and finance).

Based on the measureable objectives set out in the Board Diversity Policy and the nomination policy, the Company satisfies with the current Board's composition based on the aforesaid wide range of diversity perspectives, including but not limited to gender, age, educational background, professional experience, skills, knowledge, views, time contribution of each Director and their respective length of service to the Board. Having considered the Company's business model and specific requirement, the Board believes that a diversified Board, including a diversified gender of Board members has been achieved.

The Nomination Committee will continue to assess the Board's composition and evaluate the Board's effectiveness regularly.

Succession Plan and Nomination Procedures

As part of human resource management, the Company recognizes that succession planning is important. Succession planning helps increase the availability of candidates prepared to fill critical roles when the senior leaders leave or retire the Group. By having a succession plan in pace, we may avoid any uncertainty when a key staff leaves our Company and it is beneficial for improving and maintaining our current staff and providing staff with development opportunities.

The Nomination Committee identifies individuals suitably qualified to become Board members, having due regard to the Board Diversity Policy, nomination policy and the specific needs of the Company by making reference to the perspectives, skills, knowledge, experience, etc. of the proposed candidate and assesses the independence of the proposed independent non-executive director, as the case may be. Qualified candidates will then be recommended to the Board for approval of appointment or Board's recommendation to stand for election at a general meeting. The Board shall have the ultimate responsibility for all matters relating to the selection and appointment of directors.

Diversity in Workforce

In order to create a healthy work culture, the Group has in place human resources policies and practices including policies on remuneration, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. The Group's employment practices are in compliance with applicable laws and regulations.

The Group has adopted and will continue to take measures to promote the diversity in workforce.

During the year ended 31 December 2022 and as at the date of this annual report, the workforce structure of the Group is set out below:

1. A total of 23 employees (including senior management) were employed by the Group (including 9 female employees and 14 male employees).

2. The Group has 2 employees under 30 years old (inclusive), 10 employees between 31-40 years old, 7 employees between 41-50 years old and 4 employees above 50 years old.

3. Among which, 14 employees (representing 60.9% of the total workforce) hold bachelor's degrees.

The Company satisfies with the current workforce structure based on the aforesaid diversity perspectives, including but not limited to gender, age and educational background. The Company always keep a simple staff structure as possible to enhance its efficiency. We are dedicated to providing equal opportunity in all aspects of employment and maintaining workplace that are free from discrimination against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, sexual orientation. We have zero tolerance on harassment or abuse in the workplace.

The personnel structure of the Company is mainly designed for its operational efficiency and long-term development.

The Company has set up six departments: General Manager's Office, Finance Department, Customer Service Department, Risk Management Department, Internal Audit Department, and General Department.

The General Manager's Office is mainly responsible for the overall business development of the Company, daily operation and management, and assistance in other departments on necessary policies. The General Manager's Office is equipped with one general manager and two vice general managers, and the later are responsible for the finance and customer service respectively.

The Finance Department is responsible for the management of the Company's funds, dealing with financial matters and making financial plans according to the actual situation of the Company. The Finance Department has three financial accountants.

The Customer Service Department is responsible for the business expansion of the Company, the development and marketing of products, and the maintenance of the Company's market share. It has eight customer managers.

The Risk Management Department is responsible for the establishment of the risk management system and business operation process of the Company, the legal work planning and goal setting. It has a risk management specialist and a legal specialist.

The Internal Audit Department is responsible for the implementation, following up and improvement of internal audit of the Company. It has an internal audit specialist.

The General Department is responsible for administrative management involving human resources, archives, meetings, electronic network and logistics of the Company. It has six staff members.

Board independence/Mechanism(s)

The Nomination Committee strictly adheres to the nomination policy of the Company with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence and the Nomination Committee will then convene a meeting to discuss and assess his/her independency and recommend to the Board to take appropriate actions if applicable. Every Nomination Committee member abstains from assessing is/her own independence.

The Company will avoid offering specific categories of remuneration, such as share options or grant, granting of loans or other financial assistance) to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

The Company implements the following measures to strengthen Board independence:

1. Optimize the professional background of independent non-executive Directors, maintain the diversity and balance of independent non-executive Directors, and arrange them into the three Board committees according to their expertise and professional backgrounds, so as to improve the decision-making efficiency and effectiveness of independent non-executive Directors.

2. Strengthen the knowledge rights of independent non-executive Directors, and hold regular meetings for Board committees and independent non-executive Directors, aiming for enhancing communication and information sharing among independent non-executive Directors and more detailed assignment of independent non-executive Directors.

C.3 Remuneration Committee

The Company established the Remuneration Committee on 31 January 2015 with written terms of reference in compliance with the CG Code. The terms of reference were amended on 17 July 2019 and 30 December 2022 respectively. The primary duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and (iii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

As at 31 December 2022, the Remuneration Committee has three members comprising three independent non-executive Directors, Mr. Bao Zhenqiang (Chairman), Mr. Chan So Kuen and Mr. Wu Xiankun. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Company and general market conditions. During the year, a meeting of the Remuneration Committee was held to review the remuneration policy and package of the Directors and senior management of the Company and to assess the performance of each executive Director. The attendance of each member of the Remuneration Committee during the year is contained in the following table:

	Number of attendance/ number of meeting
Mr. Bao Zhenqiang *(Chairman)*	1/1
Mr. Chan So Kuen	1/1
Mr. Wu Xiankun	1/1

D. REMUNERATION POLICIES

The Company has formulated remuneration policies for its Directors, senior management and employees.

The remuneration of the Directors and senior management is determined with reference to their respective experience, responsibilities to the Company and the general market condition. The Remuneration Committee will regularly review the remuneration level of the comparable companies in the industry annually and make adjustment and submit the remuneration proposals to the Board for consideration after having taken into account of the condition and degree of participation of Directors and senior management in the Company's operating results and the future operation risks.

Recurring salaries will be provided to the Company's employees in accordance with their work nature, condition, environment and skill required, as well as the supply and demand status in the labour market. Bonus may be provided to employees according to their performance and several benefits and allowance may be provided as awards. The Company will review its operation condition and make salary adjustment assessment taking into account the domestic economic growth rate, price index, salary adjustment situation of the industry and other factors.

REMUNERATION OF SENIOR MANAGEMENT

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

The remuneration paid/payable to senior management by band, all of whom are executive Directors, for the year ended 31 December 2022 are disclosed in notes 10 and 11 to the consolidated financial statements of this annual report.

E. DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 70 to 73 of this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

F. RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 December 2022, the Company has complied with code provision principle D.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described below:

Risk Management System

The Company adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

With regard to the principal risks encountered by the Group, please refer to the paragraph headed "PRINCIPAL RISKS AND UNCERTAINTIES" under the "Report of the Board of Directors" set out on pages 41 to 54 of this annual report.

Based on the risk assessments conducted by the Company for the year ended 31 December 2022, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which enables the Company to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the internal control system framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Company.
- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Company's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Company with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Company's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Company also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Company enters into significant negotiations.

- The executive Directors are designated persons to speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

The Company has established standardized process to monitor the grant of loans, which specifies the operation standards and due diligence requirements for pre-loan investigation, review when granting loan and post-loan inspection (貸前調查、貸時審查、貸後檢查). For pre-loan investigation, site visit has to be conducted and findings have to be reported faithfully, without evading any potential risks, and the conclusion of the investigation shall not be varied by the subjective will of any person. Loan review shall be conducted independently, objectively and impartially to fully and accurately reveal different risks and to propose countermeasures to mitigate the risks. Post-loan inspection serves the purpose of regular monitoring through site visit and truly recording the findings and any issues identified during the inspection shall be summarized and reported to the relevant personnel in a timely manner, without covering or concealing any problems identified.

Based on the internal control reviews conducted by the Company for the year ended 31 December 2022, no significant internal control deficiency was identified.

The Company ensures such policy has been strictly followed and enhanced during the year through the following management process.

Reward and punishment policy

In order to ensure the effective implementation and enforcement of the Company's credit policy and prevent credit risks, the Company has a reward and punishment policy. Rewards and penalties for employees in the customer service department and risk management departments are determined based on their compliance with the credit process and the risk profile of the loans and borrowers they manage.

Personnel professionalism requirements

The Company requires personnel in the customer service department and risk management department must have relevant experience and qualifications to ensure professionalism, and the Company also set specific requirements for the hours and content of their annual on-the-job training.

Review process of risk management department

For loans of RMB100,000 and above, the risk management department will review the reports of the pre-loan investigation and site visit, and examine the borrower's family structure, actual income, business operation, and the ability to repaying loan, etc. in the above reports. In addition, when applicable, the risk management department will require the investigation report for the guarantor and valuation report for collateral to ensure that the guarantee is valid and reliable.

Authorization mechanism for loan applications

The key terms and conditions of a loan, such as principal loan amount, interest rate, quality and sufficiency of guarantees and collaterals (if any) and term of loan, are considered and approved in the loan application review and approval process. Loans in the amount of RMB500,000 or above must be approved by the loan review committee of the Company (the "**Loan Review Committee**"), while loans in the amount of less than RMB500,000 can be approved by the general manager of the Company. The Loan Review Committee comprises six members and is headed by the general manager of the Company, who is vested with the right to veto a loan application. The Company ensures that the terms and conditions of the loans granted are in accordance with the Company's credit policy by strictly enforcing the above authorization mechanism.

Whistleblowing Policy and Anti-Corruption Policy

We adhere to the highest level of business ethics and integrity. All employees are required to abide by the Staff Handbook as well as anti-corruption policies to prevent any incidents of bribery, extortion, fraud or money laundering. Moreover, our employees are prohibited from accepting any gifts from suppliers. We have a Whistleblowing Policy in place to guide and encourage employees to raise concerns about any improper behaviour. To ensure employees can report grievances without fear of reprisal, all cases are handled in strict confidence and submitted to designated personnel for thorough investigation.

The Group observes a strict code of ethics in all spheres and has no tolerance for any form of corruption or other misconduct. In order to reinforce awareness of our Directors on preventing corruption, we regularly provide anti-corruption training for the Directors which include legal and regulatory updates as well as anti-corruption training materials.

Internal audit

The Company has established an internal audit department, which will supervise the whole process of internal operation and conduct independent evaluation to ensure the policies policy has been strictly followed. The internal audit department conducts internal audits and reviews the compliance and effectiveness of the credit process, and has the right to inspect all relevant loan application materials and examine whether the customer service department and the risk management department perform their duties effectively according to the policies. When applicable, the internal audit department will make recommendations to resolve the findings, and report directly to the general manager and the Board.

The internal audit department is also responsible for formulating annual audit plans, conducting internal audits according to the annual audit plans, and if applicable, liaising with and assisting external audit consultant in conducting internal audits. The internal audit department is independent of the Company's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

Additional training sessions and risk scanning in 2022

To further enhance the Company's credit policy and risk control, the Company conducted two additional training sessions on credit risk control for the personnel in the customer service department and risk management department in 2022. In addition, the Company has conducted a comprehensive risk scanning for all the borrowers engaged in industries that have been greatly affected by the outbreak of the COVID-19 pandemic and the implementation of strengthened macro-control policies for local real estate market; performed additional site visits to investigate the borrowers' business operations and conducted interview with borrowers to identify whether they have difficulties in repaying their loans on schedule; and asked borrowers to provide further evidence to support their financial ability.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Company to ensure the review of the effectiveness of these systems has been conducted annually. The review covered all material controls, including financial, operational and compliance controls. Several areas have been considered during the Board's review, including but not limited to (i) the changes in the nature and extent of significant risks (including ESG risks) since the last annual review, and the Company's ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems; and (iii) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting. With regard to the details of the ESG performance for the year ended 31 December 2022, please refer to the section headed "Environmental, Social and Governance Report" set out in this annual report.

The Board, through its review and the review made by IA Department and the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

G. INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Company for the year ended 31 December 2022 is set out as follows:

Services rendered	Paid/payable
	RMB'000
Audit services	1,697
Non-audit services	21
Total	1,718

H. COMPANY SECRETARY

Mr. Lau Kwok Yin ("**Mr. Lau**") was appointed as a joint company secretary of the Company on 30 May 2018. and acted as the sole company secretary of the Company since 28 June 2021.

Mr. Lau, aged 37, has over 10 years' experience in corporate secretarial services, finance and banking operations. He joined SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**", a corporate service provider) in March 2018 and is currently an assistant vice president of SWCS, responsible for assisting clients in providing company secretarial services. Mr. Lau holds a bachelor of business administration degree in accounting and finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charter holder, and a fellow of the Chartered Governance Institute and the Hong Kong Chartered Governance Institute. Mr. Lau currently serves as the company secretary and joint company secretary of several companies listed on the Stock Exchange.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Lau has taken not less than 15 hours of relevant professional training during the year ended 31 December 2022. The primary contact person of Mr. Lau in the Company is Ms. Zhou Yinqing, an executive Director, the deputy general manager and the secretary to the Board of the Company.

I. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Company's information will enable the Shareholders and investors to make the best investment decision and to have better understanding on the Company's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company has adopted a Shareholders Communication Policy in May 2017 (the "**Shareholders Communication Policy**"), which is available on the Company's website (www.gltaihe.com) for public access.

The Shareholders Communication Policy aims to set out the provisions with the objective of providing Shareholders with information about the Company and enabling them to engage actively with the Company and exercise their rights as Shareholders in an informed manner. Information will be communicated to Shareholders through the publication of all the Company's corporate communication documents including, but not limited to, annual reports, interim reports, notices of the general meeting, circulars, proxy forms and other documents issued by the Company for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities and next day disclosure returns, constitutional documents of the Company as well as corporate information including list of Directors and other corporate publications including the procedures of Shareholders can use to propose a person for election as a Director are all available on the Company's website for easy reference to Shareholders and potential investors. The Company's website serves as a communication platform with the Shareholders and investors, where the Company's business developments and operations, financial information, corporate governance practices and other information are also available for public access.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any question regarding the Shareholders Communication Policy may be directed to the company secretary of the Company or to the Board. The Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong or via email to zyq@gltaihe.com for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board considers that general meetings of the Company provide an important channel for the Shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Board committees will endeavor to be available at the general meetings to answer any questions raised by the Shareholders. Shareholders are encouraged to participate in general meetings in person or by proxy to express their valuable opinion or raise questions at the general meetings. In the 2021 AGM held on 8 June 2022, all the Directors attended the meeting, which gave good opportunity for them to gain and develop a balanced understanding of the views of Shareholders as well as answering questions raised by Shareholders as appropriate.

The Company will continue to enhance communication and maintain good relationship with its Shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Company's developments.

The Shareholders Communication Policy has been reviewed by the Board during the year and the Board considered that the Shareholders Communication Policy is maintained with no change and of the view that the Shareholders Communication Policy has been implemented effectively.

J. SHAREHOLDERS' RIGHTS

Procedures for convening extraordinary meeting or class meeting on requisition

Shareholders of the Company shall follow the following procedures as prescribed in Article 85 of the Articles of Association to convene an extraordinary general meeting or class meeting of the Company:

(1) Shareholders who individually or jointly hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board on holding an extraordinary general meeting or class meeting by signing one or several written requests with same contents in the same format and define the meeting agenda. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares shall be calculated as of the date of written request;

(2) If the Board fails to send notification of the meeting within 30 days from the date of the receipt of such request, the requesting Shareholders may propose to the board of supervisors to convene extraordinary general meeting or class meetings;

(3) Where the Board of Supervisors fails to issue notice of convening meeting within thirty days upon receipt of the above written request, shareholder(s), for more than 90 consecutive days, individually or collectively holding more than 10% of the shares carrying voting rights at the meeting to be convened may convene the meeting on their own accord within four months upon the Board having received such request. The convening procedures shall, to the extent possible, be identical to procedures according to which general meetings are to be convened by the Board.

Where Shareholders convene a meeting due to the failure by the Board to duly convene the same, all reasonable expenses so incurred shall be reimbursed by the Company, and any sum so reimbursed shall be set-off against such sums owed by the Company to the defaulting directors.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, details of which are as follows:

Tricor Investor Services Limited

Address: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Attention: Board of Directors/Board Secretary

Address: Beizhou Road, Lidian Town, Guangling District, Yangzhou City, Jiangsu Province, the PRC
Email: zyq@gltaihe.com
Tel: (86) 514-87943549
Fax: (86) 514-87948990

The Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures for the Shareholders to put forward proposals at general meetings

According to the Article 66 of the Articles of Association, when a general meeting is convened by the Company, Shareholders who individually or collectively hold 3% or more of the total voting shares of the Company shall be entitled to propose new resolutions in writing to the Company. Such Shareholders shall submit ad hoc proposals in writing to the Board 10 days before the convening of the general meeting. The Board shall issue a supplemental notice of general meeting and notify other Shareholders within 2 days upon receipt of the proposals and submit the ad hoc proposals to the general meeting for consideration. The Company shall place such proposals on the agenda for such meeting if they are matters falling within the scope of duties of the general meeting.

K. DIVIDEND POLICY

The Board has adopted a dividend policy. In considering the recommendation and declaration of dividends, the Group shall maintain sufficient cash reserve to satisfy its requirement of working capital, future growth and its shareholders' value. After taking into account the Group's financial condition and adequate reserve to meet its needs for daily and future operation, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board may deem appropriate. For details of the dividend policy, please refer to the section headed "Management Discussion and Analysis" of this annual report.

L. CONSTITUTIONAL DOCUMENTS

There was no material change in the Articles of Association during the year 2022.

The Articles of Association are available on both the websites of the Stock Exchange and the Company.

The Board of Directors of the Company is pleased to present the annual report and the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's strategic goal is to become a leading regional microfinance company focusing on meeting the interim business financing needs of SMEs, microenterprises and individual proprietors. With the successful listing of Taihe Micro-finance on the Stock Exchange on 8 May 2017 and Transfer of Listing on 17 July 2019, the Company had further strengthened the competitive advantages and provided the services to more SMEs, microenterprises and individual proprietors. As at 31 December 2022, the Company's balance of outstanding loans (before allowance for impairment losses) was approximately RMB924.2 million, representing an increase of approximately 10.3% as compared to approximately RMB837.9 million in the previous year. For the year ended 31 December 2022, we granted loans to 388 customers, representing a decrease of approximately 18.8% as compared to 478 customers for the year ended 31 December 2021.

For further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including an analysis using financial key performance indicators, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, please refer to the section headed "Management Discussion and Analysis" set out on pages 6 to 16 of this annual report. This discussion forms part of this Directors' Report.

SEGMENT INFORMATION

Details of segment information are set out in note 31 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

As a microfinance company dedicated to serving the interim business financing needs of SMEs, microenterprises and individual proprietors, credit risk is the most significant risk inherent to our business. With the aim of addressing credit risks that the Group is exposed to, we have put in place a standardized and centralized risk management system, and implemented the "separation of due diligence and approval (審貸分離)" policy. While our risk management system is designed to manage our credit risk, there can be no assurance that such system will be effective in avoiding all undue credit risk. Meanwhile, the business operation of the Company is subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, modification or suspension of the business operation by the authorities. The Company closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

ENVIRONMENTAL POLICIES AND PERFORMANCE

For details of environmental, social and governance performance of the Group, please refer to the section headed "Environmental, Social and Governance Report" set out on pages 56 to 69 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. The Company's establishment and operations accordingly shall comply with all PRC laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 December 2022 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in the PRC and Hong Kong in all material respects.

The Directors are not aware of any laws and regulations which are industry specific, and have material implication or impact to the business and operation of the Group.

RESULTS

The Company's results for the year ended 31 December 2022 and the state of affairs of the Group and the Group at that date are set out in the consolidated financial statements on pages 74 to 133.

PROFIT DISTRIBUTION PLAN AND DIVIDENDS

The profit distribution plan of the Company for the year ended 2022 was as follows: (i) as the Company did not have net profit for the year ended 31 December 2022, no amount is appropriated to the statutory surplus reserve; and (ii) the amount appropriated to the general reserve is nil. The above profit distribution proposal for 2022 is subject to the approval of the Shareholders at the 2022 annual general meeting of the Company.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group recognises that good communication with different stakeholders (including but not limited to our employees, Shareholders, customers, suppliers and investors) may help continuous improvement of sustainability performance and governance.

For details, please refer to the section headed "Environmental, Social and Governance Report" set out in this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the section headed "Five-Year Financial Summary" on page 134 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in the section headed "Statement of Changes in Equity" 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.

TAX RELIEF AND EXEMPTION

During the year ended 31 December 2022, the Company is not aware of any tax relief and exemption available to the Shareholders by reason of the holding of the Company's listed securities.

If the Shareholders are unsure about the taxation implication of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult their professional advisers.

PROPERTY AND EQUIPMENT

Details of movements in property and equipment of the Company during the year ended 31 December 2022 are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in reserves of the Company during the year ended 31 December 2022 are set out in the section headed "Consolidated Statement of Changes in Equity" on page 76 of this annual report. As at 31 December 2022, the Company's retained earnings amounted to approximately RMB164.9 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the percentage of revenue attributable to the Company's major customers is set out below:

Revenue

– The largest customer	0.85%
– The total of five largest customers	3.83%

As far as the Directors aware, neither the Directors nor their respective close associates nor any Shareholder (which to the knowledge of Directors own more than 5% of the Company's issued Shares) had any interest in the five largest customers of the Company.

Due to the business nature of the Company, the Company does not have major suppliers.

Report of the Board of Directors

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Bo Wanlin *(Chairman)*
Ms. Bai Li
Ms. Zhou Yinqing

Non-executive Directors

Mr. Bo Nianbin
Mr. Zuo Yuchao

Independent non-executive Directors

Mr. Bao Zhenqiang
Mr. Wu Xiankun
Mr. Chan So Kuen

Pursuant to Article 103 of the Articles of Association, all current Directors were re-elected at the annual general meeting on 12 June 2020 for a term of three years (from 15 January 2021 to 14 January 2024). The term of office of the sixth session of the Board will expire on January 2024. A Director may serve consecutive terms if re-elected upon the expiry of his/her term, The office term of an independent Director is the same as a Director and is entitled for re-election upon expiry of his/her term of office.

As stated in the circular dated 26 April 2023 of the Company, Ms. Zhou Yinqing has indicated that she will retire as an executive Director upon the close of the forthcoming annual general meeting (the forthcoming "AGM") to be held on 8 June 2023; Mr. Zuo Yuchao has indicated that he will retire as a non-executive Director upon the close of the forthcoming AGM; while Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun have also separately indicated that they will retire as independent non-executive Directors and will be released from the positions held in each committee under the Board upon the close of forthcoming AGM.

The existing executive Directors, Mr. Bo Wanlin and Ms. Bai Li, and non-executive Director, Mr. Bo Nianbin have indicated that they were willing to be re-elected as Directors of the Company at the forthcoming AGM. In addition, in order to fill the vacancies arising from retiring Directors, the Nomination Committee has recommended to the Board, and the Board has agreed, to propose to the Shareholders to elect Mr. Zhang Yi as executive Director, Mr. Zhang Zhuo as non-executive Director, Mr. Xu Xuechuan, Ms. Zhang Lingling and Ms. Wang Chunhong as independent non-executive Directors, provided that such appointments are subject to approval by Shareholders at the forthcoming AGM. Their term of office shall be three years commencing from the date of approval by Shareholders at the forthcoming AGM.

The Company has received annual confirmations of independence from all three independent non-executive Directors pursuant to the Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE AGREEMENTS

No Director or Supervisor has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CHANGES IN DIRECTORS' INFORMATION

The change in Directors' information since the date of the 2022 interim report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

In December 2022, Mr. Chan So Kuen, an independent non-executive Director, resigned as the chief financial officer of Huazhang Technology Holding Limited (華章科技控股有限公司)(stock code: 1673.HK).

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Directors or Supervisors, or entity connected with any Directors or Supervisors had material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Company during or at the end of the year ended 31 December 2022.

CONTRACT OF SIGNIFICANCE WITH A CONTROLLING SHAREHOLDER OR ANY OF ITS SUBSIDIARIES

In January 2021, the Company (as leasee) entered into a lease contract with Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd.* (江蘇聯泰時尚購物廣場置業有限公司) ("**Liantai Guangchang**", a company incorporated in the PRC with limited liability and is held as to approximately 48.67%, 26.33%, 20.00% and 5.00% by Botai Group, Mr. Bo Wanlin, Mr. Bo Nianbin and Ms. Bai Li, respectively) (as leasor) in respect of the leasing of the Company's office for a term of three years commencing from 1 January 2021 to 31 December 2023, details of which are disclosed on page 122 of this annual report.

Save as disclosed above, there was neither contract of significance between the Company and a controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor contract of significance for the provision of services to the Company by a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2022.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in this annual report, none of the Directors or Supervisors or any of their respective associates was granted by the Company any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY

In accordance with Article 149 of the Articles of Association, the Company may establish the necessary liability insurance system for directors, supervisors and senior management to reduce the risks that may be caused by the normal performance of duties of such personnel.

During the year ended 31 December 2022, the Company has purchased liability insurance for Directors and Supervisors which provides proper insurance for the Directors and Supervisors in respect of liabilities from legal actions against them arising from corporate activities.

DONATIONS

During the year ended 31 December 2022, the Company has made a total of donations of RMB0 (2021: RMB18,525.20).

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Company are set out in note 30 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction or continuing connected transaction that is required to be disclosed under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year ended 31 December 2022.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Company's emolument policy and structure of all remuneration of the Directors and senior management of the Company, having regard to the Company's operating results, individual performance and comparable market practices. No long-term incentive schemes have been adopted by the Company.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 10 and note 11 to the consolidated financial statements.

EMPLOYEE RETIREMENT SCHEMES

The Company participates in pension scheme organized by the municipal government of Yangzhou City, Jiangsu for the Company's employees based in the PRC. During the year end 31 December 2022, the Company has no forfeited contributions used by the employer to reduce the existing level of contributions. Details of the pension scheme is set out in the paragraph headed "Employee benefits"under note 3.3 to the consolidated financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at the date of this report, Botai Group (a controlling shareholder of our Company (as defined in the Listing Rules)) held 8% interest in Yangzhou Guangling Zhongcheng Rural Bank Co., Ltd.* (揚州廣陵中成村鎮銀行股份有限公司) ("**Zhongcheng Bank**").

Zhongcheng Bank principally engages in certain banking business such as taking public deposit; providing short term, medium term and long term loans; domestic exchange settlement; notes acceptance and discount; interbank borrowing; debit card issuing; issuing and cashing agency, undertaking governmental bond; accounts receivable and payable agency; and other business approved by China Banking Regulatory Commission ("**Banking Business**") in Guangling District of Yangzhou.

For further details on the general information of Zhongcheng Bank and the reasons that our Directors are of the view that the competition between the principal businesses of Zhongcheng Bank and the Company is limited and not extreme, please refer to the paragraph headed "Relationship with the Controlling Shareholders – other Businesses Invested by our Controlling Shareholders" in the Company's prospectus dated 24 April 2017.

Save as disclosed above, as at 31 December 2022, none of the controlling Shareholders, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with our principal business, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

As disclosed in the Company's prospectus dated 24 April 2017, Botai Group, Liantai Guangchang, Mr. Bo Wanlin (柏萬林), Ms. Wang Zhengru (王正茹) (spouse of Mr. Bo Wanlin), Mr. Bo Nianbin (柏年斌) and Ms. Bai Li (柏莉) have executed a non-competition agreement with the Company on 6 April 2017, which was substituted by a new one executed on 9 July 2019 (the "**Non-competition Agreement**") due to the Company's Transfer of Listing, which is in substantially the same terms as the non-competition agreement executed on 6 April 2017, with references to GEM being amended to the main board of the Stock Exchange.

Save for what has been disclosed in the paragraph headed "Directors' and Controlling Shareholders' Interest in Competing Business", each of the controlling Shareholders has confirmed in writing to the Company of his/her/its compliance with the Non-competition Agreement for disclosure in this report during the year ended 31 December 2022 and up to the date of this report. The independent non-executive Directors have also reviewed the status of compliance by each of Botai Group, Liantai Guangchang, Mr. Bo Wanlin (柏萬林), Ms. Wang Zhengru (王正茹), Mr. Bo Nianbin (柏年斌), Ms. Bai Li (柏莉) with the undertakings in the Non-competition Agreement and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Non-competition Agreement.

* For identification purpose only

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2022, interests or short positions of the Directors, the Supervisors and chief executive of the Company and their associates in any of the Shares and debentures or underlying Shares and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (Chapter 571 of the Laws of Hong Kong)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including circumstance of interests or short positions deemed or taken to have under such provisions of the SFO), or interests or short positions in the underlying Shares and debt securities of the Company recorded in the register required to be kept pursuant to Section 352 of the SFO or share transaction as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of the Listing Rules were as follows:

Shares of the Company

Director/Supervisor	Nature of interest	Number of Shares held[1]	Approximate shareholding percentage in the relevant class of Shares[2]	Approximate percentage of shareholding in the total issued Shares[3]
Mr. Bo Wanlin	Interest in controlled corporation[4][5]	322,100,000 Domestic Shares (L)	71.58%	53.68%
Ms. Bai Li	Beneficial owner	10,000,000 Domestic Shares (L)	2.22%	1.67%
Mr. Zuo Yuchao	Beneficial owner	2,600,000 Domestic Shares (L)	0.58%	0.43%
Ms. Zhou Yinqing	Beneficial owner	700,000 Domestic Shares (L)	0.16%	0.12%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the domestic shares of the Company (the "**Domestic Shares**").

(2) The calculation is based on the number of 450,000,000 Domestic Sshares (namely, ordinary shares in the Company capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities) in issue as at 31 December 2022.

(3) The calculation is based on the total number of 600,000,000 Shares in issue as at 31 December 2022.

(4) As at 31 December 2022, Botai Group is directly interested in 180,200,000 Domestic Shares, representing approximately 40.04% shareholding interest in the relevant class of Shares in the Company. The disclosed interest represents the interest in the Company held by Botai Group which in turn held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin). Mr. Bo Wanlin and Ms. Wang Zhengru control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

(5) As at 31 December 2022, Liantai Guangchang is directly interested in 141,900,000 Domestic Sshares, representing approximately 31.53% shareholding interest in the relevant class of Shares in the Company. The disclosed interest represents the interest in the Company held by Liantai Guangchang, which is in turn held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and 5.00% by Ms. Bai Li. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO, and Mr. Bo Wanlin and Ms. Wang Zhengru (spouse of Mr. Bo Wanlin), control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in Liantai Guangchang and the Company by virtue of the SFO. On 24 February 2021, Botai Group and Liantai Guangchang, the controlling shareholders (as defined in the Listing Rules) of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB20,000,000 and RMB20,000,000 respectively. On 26 March 2021, Botai Group pledged 30,000,000 Domestics Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB9,000,000.

Associated Corporation

Director/Supervisor	Associated Corporation	Nature of interest	Approximate shareholding percentage in the relevant class of Shares in the Associated Corporation
Mr. Bo Wanlin	Botai Group	Beneficial owner[1]	33.33%
		Family interest of spouse[2]	16.67%
Ms. Bai Li	Botai Group	Beneficial owner[1]	25.00%
Mr. Bo Nianbin	Botai Group	Beneficial owner[1]	25.00%

Notes:

(1) The disclosed interest represents the interests in Botai Group, the associated corporation which is wholly owned as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at 31 December 2022.

(2) Mr. Bo Wanlin is the spouse of Ms. Wang Zhengru and is deemed to be interested in Ms. Wang Zhengru's interest in Botai Group by virtue of the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors, Supervisors and chief executive of the Company nor their associates had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to section 352 of the SFO, or transactions of shares and debt securities otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as the Directors are aware, each of the following persons has an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered into the register referred to in section 336 of the SFO:

Shareholders	Nature of interest	Number of Shares held[1]	Approximate shareholding percentage in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company[3]
Botai Group[8]	Beneficial owner	180,200,000 Domestic Shares (L)	40.04%[2]	30.03%
	Interest in controlled corporation[4]	141,900,000 Domestic Shares (L)	31.53%[2]	23.65%
Mr. Bo Wanlin	Interest in controlled corporation[4], [5]	322,100,000 Domestic Shares (L)	71.58%[2]	53.68%
Ms. Wang Zhengru	Family interest of spouse[6]	322,100,000 Domestic Shares (L)	71.58%[2]	53.68%
Liantai Guangchang[8]	Beneficial owner	141,900,000 Domestic Shares (L)	31.53%[2]	23.65%
Shenzhen Gangfutong Financial Information Services Co., Ltd. ("**Shenzhen Gangfutong**")	Beneficial owner	48,000,000 Domestic Shares (L)	10.67%[2]	8.00%
Ms. Zheng Jingyue	Interest in controlled Corporation[9]	48,000,000 Domestic Shares (L)	10.67%[2]	8.00%
	Beneficial owner	364,000 H Shares (L)	0.24%[7]	0.06%
Mr. Zhang Zhuo	Beneficial owner	30,000,000 Domestic Shares (L)	6.67%[2]	5.00%
	Beneficial owner	2,298,000 H Shares (L)	1.53%[7]	0.38%
Mr. Lu Qi	Beneficial owner	30,000,000 Domestic Shares (L)	6.67%[2]	5.00%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the relevant class of Shares.

(2) The calculation is based on the number of 450,000,000 Domestic Shares in issue as at 31 December 2022.

(3) The calculation is based on the total number of 600,000,000 Shares in issue as at 31 December 2022.

(4) As at 31 December 2022, Liantai Guangchang is held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO.

(5) As at 31 December 2022, Botai Group is held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin). Mr. Bo Wanlin and Ms. Wang Zhengru control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in Liantai Guangchang and the Company by virtue of the SFO.

(6) Ms. Wang Zhengru, the spouse of Mr. Bo Wanlin, is deemed to be interested in Mr. Bo Wanlin's interest in the Company by virtue of the SFO.

(7) The calculation is based on the number of 150,000,000 H Shares in issue as at 31 December 2022.

(8) On 24 February 2021, Botai Group and Liantai Guangchang, the controlling shareholders (as defined in the Listing Rules) of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB20,000,000 and RMB20,000,000, respectively. On 26 March 2021, Botai Group pledged 30,000,000 Domestics Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB9,000,000.

(9) Ms. Zheng Jingyue had a corporate interest in 48,000,000 Domestic Shares by virtue of the interest of the Domestic Shares held by Shenzhen Gangfutong, which is indirect and beneficially owned by Ms. Zheng Jingyue.

Save as disclosed above, as at 31 December 2022, so far as known to the Directors, no interests or short positions of substantial shareholders of the Company and other persons in any Shares and debentures or underlying Shares of the Company were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required to be entered into the register referred to in section 336 of the SFO.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

On 24 February 2021, Botai Group and Liantai Guangchang, the controlling shareholders (as defined in the Listing Rules), pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB20,000,000 and RMB20,000,000 respectively. On 26 March 2021, Botai Group pledged 30,000,000 Domestics Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB9,000,000. The pledged Domestic Shares represent approximately 34.2% of the aggregate Domestic Shares held by Botai Group and Liantai Guangchang, approximately 24.4% of the total number of Domestic Shares in issue, and approximately 18.3% of the total Shares in issue on 16 April 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

ANNUAL FINANCIAL BUDGET FOR 2023

Considering the macro-economic situation, financial condition and the business growth of the Company in last three years, the Company has formulated the annual financial budget for 2023 after detailed calculation and analysis and collecting different opinions. The details are set out as follows:

I. The estimated maximum total administrative expenses will be RMB20 million;

II. According to the needs of strategic development and business expansion, the planned maximum capital expenditure of the Company will be RMB20 million, mainly including the expenses for properties renovation, IT system development and purchasing other fixed assets.

The annual financial budget for 2023 of the Company was considered and approved by the Board on 24 March 2023 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 31 January 2015. The role, function and composition of the Audit Committee are set out in the paragraph headed "Audit Committee" of the Corporate Governance Report of this annual report.

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

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

SHARE SCHEME

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company during the year.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the year of 2022 and up to the date of this report, at least 25% of the issued shares of the Company was held by public Shareholders and the Company has maintained the prescribed public float required by the Listing Rules.

AUDITOR

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

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

EVENTS AFTER THE FINANCIAL PERIOD

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

On behalf of the Board
Bo Wanlin
Chairman

Yangzhou, the PRC, 24 March 2023

Report of the Board of Supervisors

The board of supervisors of the Company (the "**Board of Supervisors**") has executed its duties earnestly, safeguarded the rights and interests of the Company and Shareholders, complied with the principle of good faith and carried out its work in a diligent and proactive manner pursuant to the provisions of the Company Law of the PRC, other relevant laws and regulations and the Articles of Association.

During the year of 2022, two meeting(s) of the Board of Supervisors were held. The Board of Supervisors reviewed cautiously the operation and development plans of the Company and put forward reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the significant policies and specific decisions made by the management of the Company to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association, and in the interests of the Shareholders.

The Board of Supervisors have reviewed earnestly and approved the report of the Board, audited consolidated financial statements and the dividend payment proposal to be presented by the Board at the forthcoming annual general meeting. We are of the opinion that the Board, chief executive and other senior management of the Company have strictly complied with the principle of good faith, and have worked diligently, exercised their authority faithfully in the best interests of the Company, and executed various tasks pursuant to the Articles of Association. Up to the date of this report, none of the Directors, chief executive or senior management of the Company has been found to have been in breach of any laws or regulations or the Articles of Association and damaged the interests of the Company or the Shareholders.

The Board of Supervisors is satisfied with the various tasks carried out by the Company in 2022 and the economic benefits generated therefrom. It has full confidence in the future development outlook of the Company.

By order of the Board of Supervisors of
Yangzhou Guangling District Taihe Rural Micro-Finance Company Limited
Wang Chunhong
Chairman of the Board of Supervisors

Yangzhou, the PRC, 24 March 2023

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance report (the "**ESG Report**") is prepared in compliance with the requirements of Appendix 27 Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") to the Rules Governing the Listing of Securities on the Stock Exchange. This ESG report intends to give insight into the approach adopted and actions taken by the Company regarding its operations and sustainability that have implication for the Company and the interest to stakeholders. The Company understands the importance of the ESG report and is committed to make continuous improvements in corporate social responsibility into its business in order to better meet the changing needs of an advancing society.

REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG Report covers the environmental and social performance within the operational boundaries of the Company that includes the Company's offices in Yangzhou, Guangling District. The ESG Report covers the period from 1 January 2022 to 31 December 2022 (the "**Reporting Period**").

REPORTING PRINCIPLES

Materiality: To identify the material ESG-related issues to the Group, we conducted stakeholder engagement to identify and prioritise material ESG issues in our business operations.

Quantitative: Quantitative metrics are disclosed in this report to keep track of and evaluate our ESG performance. We measure and report key performance indicators (KPIs) across our environmental and social performance with the aid of a data monitoring system. Through the reporting of these KPIs and information in our report, we disclose elements that have greatest impact to our business and stakeholders.

Consistency: This report is prepared according to the ESG Reporting Guide to provide consistent and comparable disclosures. We would provide explanation to any changes to the calculation methods or KPIs used, if any.

BOARD INVOLVEMENT AND GOVERNANCE

The Board is responsible for overseeing long-term sustainable development for the Company and its subsidiaries. Information and management on sustainability risks and performance is reported to the Board. The working groups meet regularly to exchange information and best practices, with a view to developing specific policy recommendations, reviewing progress made against ESG-related goals, improving efficiency, managing climate-related risk, reducing costs and engaging staff in sustainable development.

STAKEHOLDER ENGAGEMENT

With the goal to strengthen the sustainability approach and performance of the Company, the Company put in tremendous effort to listen to both its internal and external stakeholders. The Company actively collects feedback from its stakeholders to maintain a high standard of sustainability within the Company, while also building a trustful and supportive relationship with them. The Company connects with its stakeholders through their preferred communication channels as listed in the table below.

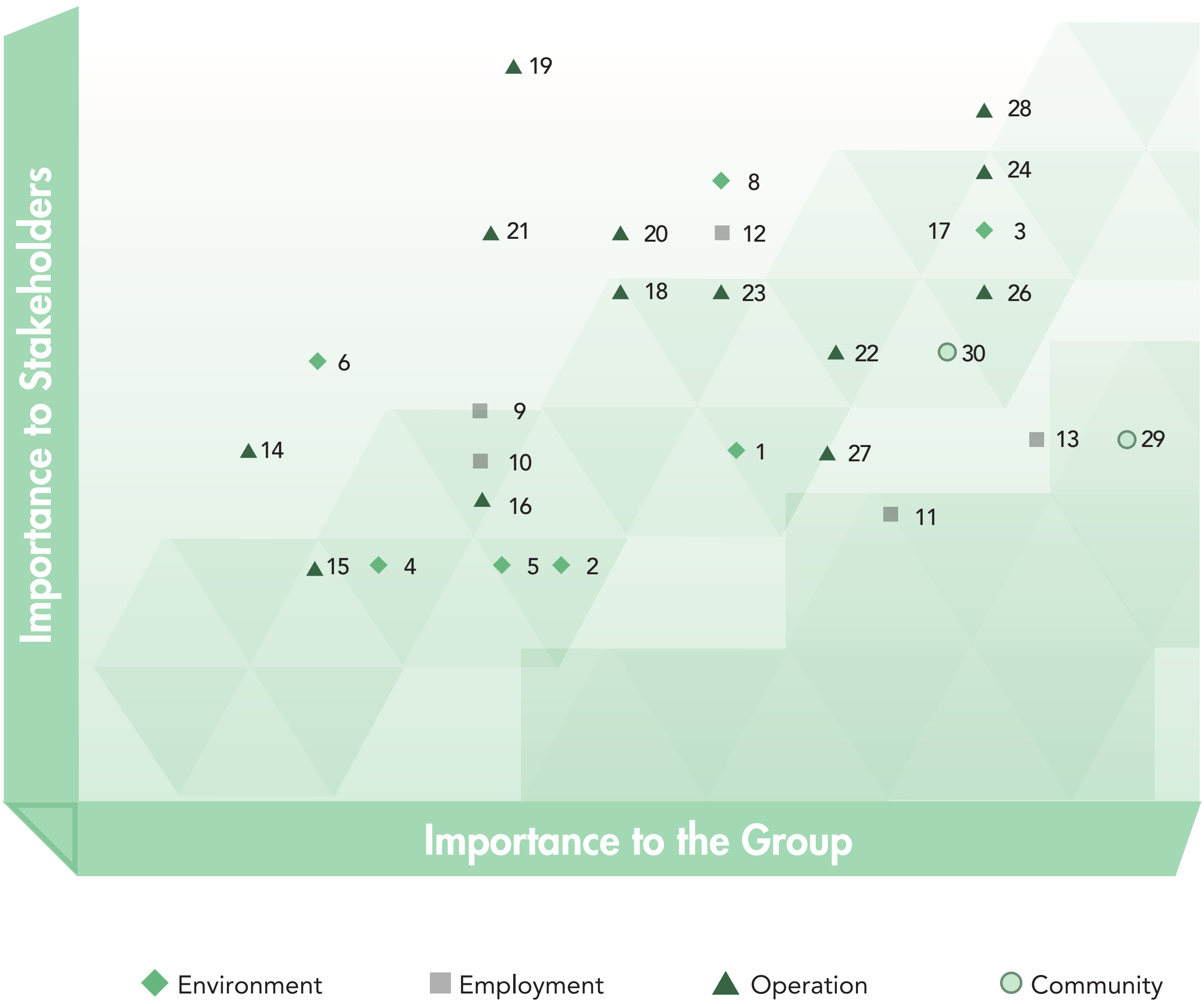
Table 1. Communication with Stakeholders

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Support economic development	– Supervision on complying with local laws and regulations – Reviewing reports and taxes paid
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official website
Employees	– Employees' compensation and benefits – Career development – Health and safety working environment	– Performance reviews – Regular meetings and trainings – Emails, notice boards, hotline, caring activities with management
Customers	– High quality products and services – Protect the rights of customers	– Customer satisfaction survey – Face-to-face meetings and on-site visits – Customer service hotline and email
Suppliers	– Fair and open procurement – Win-win cooperation	– Open tendering – Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits – Industry seminars
General public	– Involvement in communities – Business compliance – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Face-to-face interview

Materiality Assessment

The Company undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG Report. During the Reporting Period, the Company engaged its stakeholders to conduct a materiality assessment survey. Both internal and external stakeholders were selected based on their influence and dependence on the Company. Stakeholders with high level of influence and dependence on the Company were selected by the management of the Company. The selected stakeholders were then invited to express their views and concerns on a list of sustainability issues via an online survey. As a result, the Company was able to prioritise the issues for discussion. The result from the materiality assessment survey was mapped and presented as below.

Stakeholders Engagement Materiality Matrix



1	Air and greenhouse gas emissions	11	Occupational health and safety	21	Marketing and promotion
2	Sewage treatment	12	Employee development and training	22	Observing and protecting intellectual property rights
3	Land use, pollution and restoration	13	Preventing child and forced labour	23	Product quality control and management
4	Solid waste treatment	14	Suppliers by geographical region	24	Protection of consumer information and privacy
5	Energy use	15	Selection of suppliers and assessment of their product/services	25	Labelling relating to products/services
6	Water use	16	Environmental protection assessment of the suppliers	26	Information disclosure
7	Use of other raw/ packaging materials	17	Social risks assessment of the suppliers	27	Preventing bribery, extortion, fraud and money laundering
8	Mitigation measures to protect natural resources	18	Procurement practices	28	Anti-corruption policies and whistle-blowing procedure
9	Composition of employees	19	Compliance with operation	29	Understanding local communities' need
10	Employee remuneration and benefits	20	Customers satisfaction	30	Public welfare and charity

The Company built a materiality analysis matrix and prioritised the 30 issues accordingly. With respect to this ESG Report, the Company identified health and safety relating to products/services, customer satisfaction, marketing and promotion, compliance with operation, understanding local communities' need, and protection of customer information and privacy as issues of the highest importance to its stakeholders and the Company. This review helped the Company to prioritise its corresponding sustainability issues and highlight the material and relevant aspects to align them with stakeholders' expectations.

Stakeholders Feedback

As the Company strives for excellence, stakeholders' feedback is always welcomed, especially on topics listed as high importance in the materiality assessment. Readers are also welcome to share their views with the Company at "zyq@gltaihe.com".

ENVIRONMENTAL SUSTAINABILITY

The Company believes saving energy is key to long-term sustainability of the environment, the community, and thus the Company's business. The Company stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in the PRC in its daily operation. All offices of the Company implemented effective energy conservation measures to reduce emissions and resource consumption.

This section primarily discloses the policies and practices of the Company on emissions, use of resources, and the environment and natural resources during the Reporting Period.

Emissions

The Company strictly adheres to emission related laws and regulations in the PRC. It is included in the Company's policy to reduce the impacts of these emissions on the environment by controlling energy consumption and reducing the Company's travel by private vehicles.

Air Emissions & Greenhouse Gases ("GHG") Emissions

During the Reporting Period, the Company's direct emissions (Scope 1) came from the use of company vehicles. The driving of company vehicles generated air emissions and released GHG emissions.

The Company adopted policy to focus its purchase on environmentally friendly vehicles, and to lower the frequency of vehicles use in its daily operation. In addition, the Company encourages its employees to take electricity fuelled public transports when commuting for work to keep the amount of air and GHG emissions at a low level.

Meanwhile, GHG emissions were also generated through the Company's use of purchased electricity (Scope 2). Since the amount of GHG emissions indirectly emitted depends on the amount of electricity used, the Company has made it a goal to reduce electricity consumption in its daily operation. Specific measures the Company adopted to reduce electricity consumption are set out in the section headed "Use of Resources-Electricity" of this ESG Report.

In addition, small amount of GHG emissions were also generated from disposal of paper (Scope 3), which was calculated according to the purchase quantity of office paper, issuances of name cards, company letters, etc.

During the Reporting Period, the Company's GHG emissions under Scope 1 (Direct Emissions), Scope 2 (Energy Indirect Emissions), and Scope 3 (Paper Waste Indirect Emissions) were 39.5 tonnes CO_2e, 57.2 tonnes CO_2e and 0.3 tonnes CO_2e, respectively. The Company's total GHG emissions amounted to 97 tonnes CO_2e and the GHG intensity for the Company was 4.7 tonnes CO_2e/employee.

Wastewater

No hazardous wastewater was generated by the Company during the Reporting Period, as the only type of wastewater produced was domestic wastewater from its daily office operation. Domestic wastewater was directly discharged into the sewage pipe network and treated at a local municipal wastewater treatment plant. During the Reporting Period, the Company generated 0.2 tonnes of domestic wastewater. Since the amount of wastewater generated depends on the amount of water consumed, the Company has adopted specific measures to reduce the water consumption, which are further explained in the section headed "Use of Resources-Water" of this ESG Report.

Solid Wastes

Solid wastes produced by the Company in its daily operation include only domestic solid wastes. No hazardous solid waste was generated during the Reporting Period. The Company has adopted recycling policy to require its employees to source separate and recycle recyclables such as wasted paper and canned drinks. The non- recyclables were collected and properly sent to the landfill. The Company also encourages its employees to reduce the consumption of paper and stationary in its daily operation. During the Reporting Period, the Company generated 0.5 tonnes of non-hazardous solid wastes.

During the year under review, the Company was not in violation of any relevant laws and regulations in relation to emissions, which have a significant impact on the Company.

Total Emissions of the Company

			Year ended 31 December			
			2022		2021	
Emissions	*Key Performance Indicator (KPI)*	*Unit*	*Amount*	*Intensity* (Per employee)*	*Amount*	*Intensity* (Per employee)*
GHG emissions	Scope 1 (Direct Emission)[1]	Tonnes CO_2e	31.7	1.7	39.5	1.9
	Scope 2 (Energy Indirect Emissions)[2]	Tonnes CO_2e	41.1	2.2	57.2	2.8
	Scope 3 (Paper Waste Indirect Emissions)[3]	Tonnes CO_2e	0.3	–	0.3	–
	Total (Scope 1 & 2 & 3)	Tonnes CO_2e	73.2	3.9	97.0	4.7
Non-hazardous waste	Non-hazardous wastewater	Tonnes	0.2	0.01	0.2	0.01
	Non-hazardous solid waste	Tonnes	0.5	0.03	0.5	0.02

Notes:

1. GHG emissions from gasoline consumption used in automobiles are mainly measured.

2. GHG emissions from electricity consumption are mainly measured.

3. GHG emissions from paper and solid waste are mainly measured.

* Intensity = amount ÷ annual average workforce of the Company

USE OF RESOURCES

The Company complied with the relevant laws and regulations in relation to the Company's use of resources during the year under review. Since the Company did not engage in manufacturing business, it did not have any issue in sourcing water that is fit for purpose and did not use any packaging materials. During the Reporting Period, resources used by the Company were mainly electricity, water and gasoline.

Electricity

The Company adopts measures to save energy in its daily operation as the Company understands that the reduction in electricity consumption can reduce GHG emissions indirectly. The Company has formulated internal policies to keep the average electricity use per employee at a relatively low level with an expectation that all employees of the Company stringently comply with the Company's policy on saving energy. The Company strives to achieve its goal by educating its employees regularly about energy conservation and emission reduction.

To strengthen each individual employee's awareness on environmental protection and energy saving, the Company placed stickers "Saving electricity, switch off the light when leaving" in prominent places in the office. The Company included environmental protection topics in its regular meetings with the aim to have employees supervising themselves, and urging each other to help achieve the overall goal of the Company in terms of reducing electricity use and GHG emissions.

To increase energy use efficiency and reduce emissions from our electricity and gasoline consumption, we have set the following energy use efficiency and emissions targets:

– Advocate the use of renewable energy and energy-saving and environmental protection equipment, and reduce electricity by 5% in three years compared to 2021

– Procurement of energy-saving and environmental protection equipment, energy-saving LED lamp coverage in the Company with over 90% and advocate use of environmentally friendly vehicles

All electricity consumption by the Company came directly from daily office operation. During the Reporting Period, the total electricity consumption of the Company amounted to 81,308 kWh'000. To reduce electricity consumption, the Company has implemented the following measures:

- Switch off all lights and electronic equipment in the office at the end of the day;
- Modify the set temperature of air conditioners in the office based on the season;
- Clean office equipment regularly and make sure they are working efficiently; and
- Replace office lightings with electricity saving LED lights.

Water

We have set the following water use efficiency targets:

– Reduce water use by 5% in three years compared to 2021 through the implementation of various water conservation initiatives

The Company educated its employees on saving water during the daily working hours. During the Reporting Period, the total water consumption of the Company was 220 m^3. The amount of water consumed was minimal and need-based. The policy also requests the Company's employees to change their consumption behavior including, but not limited to the followings:

- Regularly educate and promote employees to save water;
- Use water-saving taps to increase the efficiency of water usage;
- Place water saving slogans in prominent places to encourage water conservation; and
- Fix dripping taps immediately when the taps are broken.

Gasoline

The Company owns vehicles that consume gasoline for transportation purpose. The Company encourages energy saving through simple measures, such as fully utilise the space to avoid unnecessary transport, lowering the frequency of using vehicles in its daily operation and replacing heavy-polluting vehicles with more environmental-friendly vehicles. Apart from saving energy consumed by the Company's vehicles, the Company also highly encourages its staff to take public transportation or environmental-friendly buses instead of driving to work. The Company is dedicated to reducing the GHG emissions due to transportation. During the Reporting Period, the gasoline consumed by the Company's vehicles amounted to 13,450 litres.

Total Use of Resources by the Company

			Year ended 31 December			
			2022		2021	
Use of Resources	*Key Performance Indicator (KPI)*	*Unit*	*Amount*	*Intensity* (Per employee)*	*Amount*	*Intensity* (Per employee)*
Electricity consumption	Electricity	KWh'000	58,459	3,076.8	81,308	3,966.2
Water consumption	Water	m^3	220	11.6	220	10.7
Gasoline consumption	Gasoline	L	13,450	707.9	16,745	816.8

* Intensity = amount ÷ annual average workforce of the Company

The Environment and Natural Resources

"Protect the environment, operate in a green manner" (節約能源，綠色經營) has always been the Company's vision for environmental protection. To firmly adhere to this vision, the Company sets a series of policies to encourage its employees to operate with a minimum impact to the environment. Since paper is the main resource used in the Company's office, the Company has taken the following measures to reduce overall paper consumption:

- Choose more environmental friendly paper suppliers, to indirectly minimise tree loss while consuming the same amount of paper;
- Achieve paperless office, electronically distributes information (i.e. via email or e-bulletin boards) as much as possible;
- Set duplex printing as the default mode for most network printers when printing is needed;
- Promote the idea of "Think before print" by using posters and stickers in the offices to remind the staff to avoid unnecessary printing;
- Place boxes and trays beside photocopiers as containers to collect single-sided printed papers for reusing and double-sided printed papers for recycling; and
- Use the back of used single-sided documents for printing or as draft paper.

In addition, the Company requires choosing environmental-friendly vehicles when purchasing new vehicles, and encourages its employees to reduce the frequency of vehicle use, so to reduce carbon emissions. The Company will educate its employees to ensure employees are helping the Company to achieve its environmental goals.

Climate change has become an issue that all of humanity must face, and we are concerned about the impact of climate change trends and the evolution of domestic and international regulations on our business operations. We actively identify the risks and challenges posed by climate change and develop risk response actions to address the identified risks. As a responsible company, we are aware of our role in reducing energy consumption and carbon emissions, and we are taking effective measures to improve the efficiency of all energy and material use. To better manage our environmental practices and reduce the environmental impact of our operations, we closely monitor and evaluate our energy and greenhouse gas emissions performance indicators and continuously improve our energy and greenhouse gas emissions management.

SOCIAL RESPONSIBILITIES

Employees

Employees are not only a component of operation, but also a foundation for establishing long term relationship with customers. Everything they carry out represents the corporate image of the Company at all times. The core duties of human resource are attracting and retaining talented employees. The Company facilitated the staff career development through comprehensive performance assessments and effective communication mechanisms, and improved the employee's skills through staff training.

During the Reporting Period, the Company has strictly complied with applicable laws and regulations, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and Social Insurance Law of the People's Republic of China in establishing and maintaining a safe, healthy and people-oriented office environment to guarantee employees' interests and rights.

The Company respects gender, age and religion of every individual employee. Discrimination against individual difference between employees is strictly prohibited. The Company complied with the relevant legislations and regulations and strictly prohibited the employment of child labor or forced labor. Identification check is conducted during hiring process to ensure the candidate is above legal working age in the jurisdiction we operate. If any forced or child labour was discovered, the Group would immediately intervene the violation and offer reasonable compensation. During the Reporting Period, the Company did not employ any child labor or forced labor.

Diversity and Equal Opportunity

In order to create a healthy work culture, the Group has in place human resources policies and practices including policies on remuneration, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. The Group's employment practices are in compliance with applicable laws and regulations.

Statistics of employee	Unit	As at 31 December 2022	As at 31 December 2021
Male employee	person	14	10
Female employee	person	9	10
Total	**person**	23	20
Within Jiangsu province	person	18	19
Outside Jiangsu province	person	5	1
Total	**person**	23	20
Contracted employee	person	23	20
Bachelor's Degree	person	14	12
Higher education	person	3	2
Below higher education (exclusive)	person	6	6
Total	**person**	23	20
Under 30 years old (inclusive)	person	2	2
31-40 years old	person	10	9
41-50 years old	person	7	7
Above 50 years old	person	4	2
Total	**person**	23	20

Environmental, Social and Governance Report

Statistics of employee turnover rate	Unit	As at 31 December 2022	As at 31 December 2021
Staff turnover	person	2	2
Staff turnover rate	%	8.7%	8.7%
Turnover rate of male employees	%	—	8.7%
Turnover rate of female employees	%	8.7%	—
Turnover rate of employees under 30 years old (inclusive)	%	—	—
Turnover rate of employees between 31-40 years old	%	8.7%	4.3%
Turnover rate of employees between 41-50 years old	%	—	4.3%
Turnover rate of employees over 50 years old	%	—	—
Turnover rate of employees within Jiangsu Province	%	4.3%	8.7%
Turnover rate of employees outside Jiangsu Province	%	4.3%	—

Training

The Company devotes adequate resources to staff training on professional skills, operation process, knowledge, corporate culture and morality every year in order to enhance our staff's abilities and the social influence of the Company, including staff induction trainings and several professional skill trainings after induction every year. During the Reporting Period, the Company organised staff training on law, finance, micro- credit practices, time management and etc.

Staff training	Unit	2022	2021
Total training time	hours	805	660
Training time per capita	hours	35	33.0
Number of senior management	person	3 (100%)	3 (100%)
Training time of senior management per capita	hours	35	33
Number of junior employee	person	20 (100%)	17 (100%)
Training time of junior employee per capita	hours	35	33
Number of male employee	person	14 (100%)	10 (100%)
Training time of male employee per capita	hours	35	33
Number of female employee	person	9 (100%)	10 (100%)
Training time of female employee per capita	hours	35	33

Occupational Health and Safety

Occupational health and safety of the employees are always concerns of the Company. During the Reporting Period, the Company provided body checks for all employees and encouraged them to participate in cultural and sports activities for their health. The Company formulated regulations and organised staff training to increase their abilities of prevention from and emergency of fire, thus lowering the risk of occupational safety of the staff. During the Reporting Period and in each of the past three years, there was no work-related death or injury at the workplace, and there were no lost days due to work injury.

Suppliers

The Company only has very few suppliers due to the business nature. Our suppliers are mainly located in Jiangsu Province. The Company selected a list of suppliers for office and computer equipment, stationary and promotion activities gifts. The Company has set up a procurement policy to select reliable suppliers and service providers to support its business operation. The Company takes into account the suppliers' reputation and their track record when selecting them to ensure purchased items are in compliance with national standard.

The Company has established a rigorous supply chain management system to strictly manage the procurement process and set corresponding requirements for each key procurement node in the Company's administration. The supply chain-related risks identified by the Company and the monitoring measures include:

1. Supply chain sustainability risk control: The Company has identified supply chain-related risks, such as unqualified procurement products that may affect the environment, and the risk of supply chain disruption. The Company incorporates the environmental and social risks of the supply chain and supply sustainability into the important issues of supply chain management and takes a series of effective measures to ensure the quality and stability of the supply of procured products.

2. Regular evaluation of suppliers: Through the supplier evaluation mechanism, the Company evaluates and assesses the capacity, product quality, timeliness of supply, after-sales service and environmental and social performance of suppliers, and finally selects qualified suppliers to enter the supplier list.

3. Execution of procurement activities: The standard procedures for procurement and the inspection of the quality of purchased goods as well as the evaluation of prices are clarified for the procurement staff to strictly control the risks related to procurement.

Customers

For the purpose for improving the service quality of the Company, the Company conducts site visits and regular visits in order to understand the actual demands and development targets of our customers. By forming long- term and good relationships with customers, the Company efficiently supports the economic development of the regions of operation and indirectly facilitates employment of those regions. Meanwhile, the Company proactively acquires customer feedbacks, including surveys and feedbacks on phone interviews.

The opinions of customers are mainly gathered by staff of each business unit. By setting procedures of customer complaints, the Company ensures customers opinions are efficiently collected and handled. Senior management will regularly review the suggestions from customers to learn from experience and recommend improvements to our staff, thereby improving the quality of service of the Company. During the Reporting Period, the Company has not received any complaint from customers related to the service of the Company .

The Company insists to provide clear, transparent and comprehensive information to the customers. The Company introduces the clauses, articles and categories of our products in details.

Protection of Customer's Data

The Company handles significant amounts of personal data and credit information of customers. It has implemented rigorous policy and procedures to ensure confidentiality and privacy when collecting, processing and using customers data. As specified in the "Staff Handbook", the Company's employees are required to sign a confidentiality agreement acknowledging receipt and agreement of their obligation and responsibility regarding protection and non-disclosure of customer data. Also, access to confidential information or documents is restricted and granted on a need-to-know basis. During the reporting period, the Company has strictly complied with the Anti-Unfair Competition Law of the People's Republic of China and other applicable laws and regulations relating to health and safety, advertising, labeling and privacy matters of products and services and redress method. During the Reporting Period, the Company has not received any complaint from customers related to breach of the confidentiality of personal information.

Anti-Corruption and Anti-Money Laundering

The Company is committed to maintain the ethics and integrity throughout its operations and does not tolerate corruption or bribery in any form, and the Company has strictly complied with "The Anti-money laundering Law of the People's Republic of China" and other relevant laws and regulations relating to anticorruption, bribery, extortion, fraudulent behavior and money-laundering during the Reporting Period. The Company has established an "Anti-money Laundering Policy" with reference to the above laws and regulations which requires its client service department officers to fully understand the background of potential customers through documentation and communication in accordance with relevant internal guidelines before doing business with them. The Company's risk management department also gathers information in relation to our existing customer's use of proceeds, the source of funding for repayment and the operating condition of our customers and obtains their updated status from time to time and promptly reports any abnormal situation for the purpose of risk management. The Company has included in the "Staff Handbook" a whistle-blowing policy to promote integrity and prevent unethical conducts. The Company encourages the reporting of suspected business irregularities and provides clear channels specifically for this purpose. During the year ended 31 December 2022, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

Rewarding the Society

The Company hopes not only to help people in need through participation in social activities, but also to cultivate employees to contribute to the community. During the Reporting Period, our employees participated in about 50 hours of community-based volunteer activities, focusing particularly on the social well-being of vulnerable and underprivileged groups, improved financial literacy, and environmental issues. The Company will continue to uphold the principle of being responsible for its customers, employees, business partners, shareholders and the society, and will seek further opportunities to develop a harmonious relationship with its stakeholders.

Number	Details	Place of Disclosure
A1.1	The types of emissions and respective emissions data.	Page 60-61
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).	Page 61
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 61
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Page 60-62

Number	Details	Place of Disclosure
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.	Page 61
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).	Page 62
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Page 62
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Page 61-63
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.	Page 62
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Page 61
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 60-63
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Page 63
B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Page 63-64
B1.2	Employee turnover rate by gender, age group and geographical region.	Page 65
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Page 65
B2.2	Lost days due to work injury.	Page 65
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Page 65
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 65
B3.2	The average training hours completed per employee by gender and employee category.	Page 65

Number	Details	Place of Disclosure
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 64
B4.2	Description of steps taken to eliminate such practices when discovered.	Page 64
B5.1	Number of suppliers by geographical region.	Page 66
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.	Page 66
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Page 66
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Page 66
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
B6.2	Number of products and service related complaints received and how they are dealt with.	Page 66
B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A
B6.4	Description of quality assurance process and recall procedures.	N/A
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Page 67
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.	Page 67
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Page 67
B7.3	Description of anti-corruption training provided to directors and staff.	Page 67
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 67
B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 67

EY 安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 133, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 International Standards on Auditing ("ISAs") issued by the IASB. 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 Hong Kong Institute of Certified Public Accountants' *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 each matter below, our description of how our audit addressed the matter is provided in that context.

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 matters 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 loans receivable	
The Group has adopted a forward-looking "expected loss" impairment model to recognise the expected credit losses ("**ECLs**") for its loans receivable. The measurement of ECLs requires the application of significant judgement and estimates which include the identification of exposures with a significant increase in credit risk, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. Due to the significance of the loans receivable (representing 97.67% of the total assets of the Group as at 31 December 2022) and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter. The disclosures relating to the loans receivable and allowance for loans receivable are included in Note 3.3, Note 4 and Note 15 to the financial statements.	We obtained an understanding of and assessed the controls over the approval, recording and monitoring of the loans receivable. We also assessed the design and execution of the key controls over the application of the impairment methodology. For the collectively assessed ECLs, we assessed the Group's ECL models, including the model design, model input and model performance. We evaluated the Group's criteria for assessing whether there has been a significant increase in credit risk and the qualitative assessment, and we assessed the forward-looking adjustments. For exposures that were subject to individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, valuation of underlying collateral and estimates of recoverable amounts. We also assessed the adequacy of the disclosures relating to the loans receivable and allowance for the loans receivable.

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 IFRSs issued by the IASB and 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, 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.

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 Siu Fung Terence Ho.

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

Consolidated Statement of Financial Position

31 December 2022

Amounts expressed in RMB unless otherwise stated)

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

Bai Li
Director

Zhou Yinqing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

Amounts expressed in RMB unless otherwise stated)

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

Consolidated Statement of Cash Flows

Year ended 31 December 2022

(Amounts expressed in RMB unless otherwise stated)

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

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries

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

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

* The subsidiary was established on 21 June 2021.

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

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

2. BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application on IFRS 17

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Fair value measurement

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

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

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

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

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

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

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

Revenue recognition

Interest income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Guarantee fee income

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

Sale of goods

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

Fees and commission income

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

Government grants

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

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

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

Income tax

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Property and equipment and depreciation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

The estimated useful lives of intangible assets are as follows:

Category	Estimated useful life
Software	3 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

As a lessee

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

(a) Right-of-use assets

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

Buildings	1 to 5 years

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

(b) Lease liabilities

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

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

(c) Short-term leases

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Foreign currencies

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

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

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

Derecognition of financial assets

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

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

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

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

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

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

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

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

Simplified approach

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

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

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 (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Inventories

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

Cash and cash equivalents

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Contract liabilities

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

Employee benefits

Employee retirement scheme

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

Dividends

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

or

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

Impairment losses on loans receivable

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

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

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

Impairment of goodwill

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Deferred tax assets and liabilities and current income tax charge

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

Leases – Estimating the incremental borrowing rate

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

(Amounts expressed in RMB unless otherwise stated)

5. INTEREST INCOME, NET

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

6. ADMINISTRATIVE EXPENSES

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

(Amounts expressed in RMB unless otherwise stated)

7. SELLING AND MARKETING EXPENSES

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

8. OTHER REVENUES AND OTHER GAINS

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

(Amounts expressed in RMB unless otherwise stated)

9. OTHER EXPENSES

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

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

		Year ended 31 December 2022			
Name	Position	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Mr. Bo Wanlin	Executive director	—	—	—	—
Ms. Bai Li	Executive director and chief executive	—	300,000	95,426	395,426
Ms. Zhou Yinqing	Executive director	—	240,000	85,931	325,931
Mr. Bo Nianbin	Non-executive director	—	—	—	—
Mr. Zuo Yuchao	Non-executive director	—	—	—	—
Mr. Chan So Kuen	Non-executive director	—	102,927	—	102,927
Mr. Wu Xiankun	Non-executive director	—	20,000	—	20,000
Mr. Bao Zhenqiang	Non-executive director	—	20,000	—	20,000
Mr. Zhang Yi	Supervisor	—	240,000	59,779	299,779
Ms. Wang Chunhong	Supervisor	—	20,000	—	20,000
Ms. Li Guoyan	Supervisor	—	20,000	—	20,000
		—	962,927	241,136	1,204,063

(Amounts expressed in RMB unless otherwise stated)

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

		Year ended 31 December 2021			
Name	Position	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Mr. Bo Wanlin	Executive director	—	—	—	—
Ms. Bai Li	Executive director and chief executive	—	300,000	86,308	386,308
Ms. Zhou Yinqing	Executive director	—	240,000	83,318	323,318
Mr. Bo Nianbin	Non-executive director	—	—	—	—
Mr. Zuo Yuchao	Non-executive director	—	—	—	—
Mr. Chan So Kuen	Non-executive director	—	98,927	—	98,927
Mr. Wu Xiankun	Non-executive director	—	20,000	—	20,000
Mr. Bao Zhenqiang	Non-executive director	—	20,000	—	20,000
Mr. Zhang Yi	Supervisor	—	250,467	34,734	285,201
Ms. Wang Chunhong	Supervisor	—	20,000	—	20,000
Ms. Li Guoyan	Supervisor	—	20,000	—	20,000
		—	969,394	204,360	1,173,754

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

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

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

(Amounts expressed in RMB unless otherwise stated)

11. FIVE HIGHEST PAID INDIVIDUALS

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

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

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

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

12. INCOME TAX EXPENSE/(BENEFIT)

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

(Amounts expressed in RMB unless otherwise stated)

12. INCOME TAX EXPENSE/(BENEFIT) (continued)

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

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

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

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

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

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

(i) Weighted average number of ordinary shares

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

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

14. CASH AND CASH EQUIVALENTS

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

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

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (continued)

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

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

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

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (continued)

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

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

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

Movement in impairment of accounts receivables:

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

(Amounts expressed in RMB unless otherwise stated)

16. INVESTMENT IN AN ASSOCIATE

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

Particulars of the associate are as follows:

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

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

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

(Amounts expressed in RMB unless otherwise stated)

16. INVESTMENT IN AN ASSOCIATE (continued)

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

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

18. GOODWILL

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

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

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

(Amounts expressed in RMB unless otherwise stated)

19. INTANGIBLE ASSETS

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

(Amounts expressed in RMB unless otherwise stated)

20. PROPERTY AND EQUIPMENT

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

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

(Amounts expressed in RMB unless otherwise stated)

21. DEFERRED TAX

(a) Analysed by nature

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

(b) Movements of deferred tax assets and liabilities

Deferred tax assets

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

Deferred tax liabilities

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

(Amounts expressed in RMB unless otherwise stated)

21. DEFERRED TAX (continued)

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

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

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

22. OTHER ASSETS

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

Notes:

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

Movements of allowance for doubtful debts are as follows:

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

(Amounts expressed in RMB unless otherwise stated)

22. OTHER ASSETS (continued)

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

23. LIABILITIES FROM GUARANTEES

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

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

24. LEASE LIABILITIES

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

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

25. CONTRACT LIABILITIES

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

(Amounts expressed in RMB unless otherwise stated)

26. OTHER LIABILITIES

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

27. SHARE CAPITAL

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

28. RESERVES

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

Capital reserve

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

Surplus reserve

The surplus reserve represents the statutory surplus reserve.

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

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

General reserve

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

(Amounts expressed in RMB unless otherwise stated)

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

(b) Total cash outflow for leases:

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

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

(Amounts expressed in RMB unless otherwise stated)

30. RELATED PARTY TRANSACTIONS

(a) Leasing

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

Note:

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

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

(b) Key management personnel's remuneration

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

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

(c) Outstanding balances with related parties

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

Note:

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

(Amounts expressed in RMB unless otherwise stated)

31. SEGMENT INFORMATION

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

32. CONTINGENT LIABILITIES

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

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

33. COMMITMENTS

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

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

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

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

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

(a) Credit risk

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

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

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

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

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

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

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

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

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement

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

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

Criteria for judging significant increases in credit risk

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

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

Quantitative criteria

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

Qualitative criteria

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

Backstop criteria

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

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Definition of credit-impaired financial asset

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

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

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

Parameters of ECL measurement

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

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

Forward-looking information

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

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

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

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

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

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

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

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

Analysis of risk concentration

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

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Write-off policy

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

(b) Foreign currency risk

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

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

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

(c) Interest rate risk

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

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

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

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

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

(e) Capital management

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

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

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

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(e) Capital management (continued)

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

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

37. EVENTS AFTER THE REPORTING PERIOD

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

38. COMPARATIVE AMOUNTS

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

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

(Amounts expressed in RMB unless otherwise stated)

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

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

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

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

Five-Year Financial Summary

Below is a summary of the Group's results for the last five financial years and the assets and liabilities of the Group as at 31 December 2022, 2021, 2020, 2019 and 2018, as extracted from the published audited financial statements for the years ended 31 December 2022, 2021, 2020, 2019 and 2018. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the year presented.

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Interest income	51,909	60,546	75,462	104,156	108,333
Interest expense	(108)	(200)	(240)	(283)	—
Interest income, net	51,801	60,346	75,222	103,873	108,333
Accrual of provision for impairment losses	(51,565)	(46,944)	(15,432)	(11,817)	(3,037)
Reversal/(accrual) of provision for guarantee losses	898	452	(704)	(669)	(26)
Administrative expenses	(12,384)	(11,073)	(13,294)	(24,882)	(15,291)
Other income/(expenses), net	(32)	3,630	3,558	1,368	2,272
Profit (loss) before tax	(11,282)	6,409	49,350	67,873	92,249
Income tax benefit/(expense)	1,497	(1,848)	(12,615)	(17,754)	(23,494)
PROFIT/(LOSS) AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(9,785)	4,561	36,735	50,119	68,755
ASSETS AND LIABILITIES					
Total assets	897,809	904,476	907,770	881,004	827,458
Total liabilities	17,618	16,750	24,605	19,574	16,146
Net assets	880,191	887,726	883,165	861,430	811,311