中國金融發展(控股)有限公司
CHINA SUCCESS FINANCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code：3623

2022
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Tiewei *(Chairman)*
Mr. Li Bin *(Chief Executive Officer)*
Ms. Dai Jing
Mr. Xu Kaiying
Mr. Pang Haoquan

Independent non-executive Directors

Mr. Tsang Hung Kei
Mr. Au Tien Chee Arthur
Mr. Zhou Xiaojiang

BOARD COMMITTEES

Audit Committee

Mr. Tsang Hung Kei *(Chairman)*
Mr. Au Tien Chee Arthur
Mr. Zhou Xiaojiang

Remuneration Committee

Mr. Zhou Xiaojiang *(Chairman)*
Mr. Zhang Tiewei
Mr. Tsang Hung Kei

Nomination Committee

Mr. Zhang Tiewei *(Chairman)*
Mr. Tsang Hung Kei
Mr. Zhou Xiaojiang

COMPANY SECRETARY

Mr. Pang Chung Fai Benny

AUTHORISED REPRESENTATIVES

Mr. Li Bin
Mr. Pang Chung Fai Benny

REGISTERED OFFICE

Fourth Floor, One Capital Place
P.O. Box 847, Grand Cayman
KY1-1103
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

604
6th Floor
Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

3623

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

LEGAL ADVISERS

As to Hong Kong law

C&T Legal LLP in association with Pang & Co, Benny

PRINCIPAL BANKERS

Foshan Rural Commercial Bank Co. Ltd.
Guangdong Heshan Rural Commercial Bank Co., Ltd.

COMPANY WEBSITE ADDRESS

http://www.chinasuccessfinance.com

Financial Highlights

	FOR THE YEAR ENDED 31 DECEMBER 2022 *(RMB'000)*	FOR THE YEAR ENDED 31 DECEMBER 2021 *(RMB'000)*	CHANGE IN
Revenue	**88,479**	102,616	-13.8%
Other revenue	**14,493**	1,910	658.8%
Loss before taxation	**(84,171)**	(63,084)	33.4%
Loss for the year	**(82,467)**	(82,618)	-0.2%
Total comprehensive loss for the year	**(82,770)**	(81,066)	2.1%
Basic loss per share *(RMB per share)*	**(0.13)**	(0.13)	0%

	AS AT 31 DECEMBER 2022 *(RMB'000)*	AS AT 31 DECEMBER 2021 *(RMB'000)*	CHANGE IN
Total assets	**739,547**	922,182	-19.8%
Total equity	**336,857**	409,476	-17.7%

Five-year Financial Summary

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Profitability data (RMB' 000)					
Revenue	**88,479**	102,616	171,955	91,561	72,530
(Loss)/Profit from operation	**(81,638)**	(23,745)	(105,499)	(440,668)	5,674
(Loss)/Profit before taxation	**(84,171)**	(63,084)	(67,253)	(463,393)	23,181
(Loss)/Profit for the year	**(82,467)**	(82,618)	(84,556)	(431,249)	5,281
Basic (loss)/earnings per share (RMB per share)	**(0.13)**	(0.13)	(0.16)	(0.82)	0.01
Profitability ratios (%)					
Operating profit margin *(Note 1)*	**(95.1)**	(61.5)	(39.1)	(506.1)	32.0
Net profit margin *(Note 2)*	**(93.2)**	(80.5)	(49.2)	(471.0)	7.3
Effective tax rate *(Note 3)*	**(2.0)**	31.0	(25.7)	6.9	77.2
Return on total assets *(Note 4)*	**(11.2)**	(9.0)	(7.1)	(20.0)	0.3
Return on shareholders' equity *(Note 5)*	**(24.5)**	(20.2)	(17.6)	(78.8)	0.5
Cost to income ratio *(Note 6)*	**90.1**	56.6	38.9	59.1	72.3
Operating ratios (as percentage of turnover) (%)					
Staff costs	**30.9**	26.9	16.8	24.3	33.2
Assets and liabilities data (RMB' 000)					
Total assets	**739,547**	922,182	1,198,874	2,151,341	1,938,278
Total liabilities	**402,690**	512,706	718,971	1,604,392	960,041
Net assets	**336,857**	409,476	479,903	546,949	978,237
Assets and Working Capital data (%)					
Return on assets *(Note 7)*	**(10.0)**	(7.7)	(7.0)	(20.0)	0.3
Return on equity *(Note 8)*	**(19.9)**	(16.0)	(16.2)	(56.4)	0.6

Notes:

1. Operating profit margin is calculated based on dividing (loss)/profit before taxation by revenue and multiplied by 100%.
2. Net profit margin is calculated based on dividing the (loss)/profit for the year by revenue and multiplied by 100%.
3. Effective income tax rate is calculated based on dividing the income tax by the (loss)/profit before taxation and multiplied by 100%.
4. Return on total assets is calculated based on dividing (loss)/profit for the year by the total assets and multiplied by 100%.
5. Return on shareholders' equity is calculated based on dividing (loss)/profit for the year by the total equity and multiplied by 100%.
6. Cost to income ratio is calculated based on dividing operating expenses after deducting tax and surcharges by revenue and multiplied by 100%.
7. Return on assets is calculated based on dividing (loss)/profit attributable to equity shareholders of our Company by total asset and multiplied by 100%.
8. Return on equity is calculated based on dividing (loss)/profit attributable to equity shareholder of our Company by the weighted average balance of total equity as at the beginning and end of the relevant year and multiplied by 100%.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of China Success Finance Group Holdings Limited (the"**Company**" or "**China Success Finance**"), I am pleased to present the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022.

In 2022, multiple risk factors such as the ongoing conflict between Russia and Ukraine, the protracted and repeated pandemic situation, and the gradually intensified game between major powers intertwined, pushing up the level of global inflation and dragging down the pace of world economic recovery. With the intensification of supply chain crises, and energy and food shortages, the growth rate of major developed economies declined, and emerging and developing economies showed a trend of differentiation. The world was facing difficult choices of challenges and hopes, recession and recovery, confrontation and cooperation.

On the mainland, in 2022, the central government clarified the policy tone of stabilizing growth and expanding domestic demand, and effectively coordinated pandemic prevention and control with economic and social development. The successful convening of the 20th National Congress of the Communist Party of China pointed out the direction of economic development and accelerated the release of policy effectiveness. The annual GDP reached RMB121 trillion, representing an increase of 3% year-on-year. However, the domestic economy was still facing the triple pressure of demand contraction, supply shocks, and weakening expectations, and the severe international situation was superimposed, and the road of economic recovery was long and difficult.

In Hong Kong, the depressed global demand affected the export of goods. The fifth wave of the pandemic dealt a heavy blow to the local economy, and the local demand was weak. In 2022, Hong Kong's economy declined again, and the annual local GDP contracted by 3.5%.

In 2022, in view of the complex internal and external economic environment and the resurgence of the pandemic, The Group wholeheartedly and steadily coordinated the pandemic prevention and control, carried out business operations in an orderly manner, strengthened the awareness of risk prevention and steadily promoted the development of traditional businesses, so as to achieve the healthy and stable development of the Group.

Regarding the guarantee business, during the year, the Group continued its prudent and steady operating principles, adopted the business strategy of "risk first, business second", optimized its product and business structure in light of market demand, conducted businesses with lower risks and continued to improve service quality and efficiency. The Group continued to increase its layout in the financial technology area, and provided customers with personalized and differentiated financial services. In the field of traditional guarantee business, the Group deeply explored the new potential of cooperation, and actively sought new cooperation fields based on the agricultural breeding ecosystem.

Regarding financial leasing, commercial factoring and mega asset management businesses, the national and local authorities successively issued a number of industry supervision and management regulations during the year to promote the healthy and sustainable development of the industry. The Group paid close attention to the industry policy and conducted business prudently. In addition, the Group actively seized the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, leveraged the Group's advantages in multiple license resources, innovated comprehensive financial service products, and contributed to the development of the Greater Bay Area.

During the year, the Group continued to work hard in the field of supply chain finance. The pig farm, which is located in the Greater Bay Area, was included by the Department of Agriculture and Rural Affairs of Guangdong Province in the "National Pig Production Capacity Control Base List", and has officially slaughtered self-bred and self-raised market hog since April 2022, with the hog output reaching 30,000 during the reporting period.

Looking forward to 2023, the effect of COVID-19 pandemic on the global economy fades continuously. However, under the influence of the continuous intensification of the game between major powers, the stalemate between Russia and Ukraine, and the rising inflation level, the global economic situation will not be optimistic. On the mainland side, with the transition of pandemic prevention and control to a new stage, the vitality and potential of the domestic economy will be further released. The central government will strengthen macro-policy regulation and control, actively respond to the triple pressure of shrinking demand, supply shock, and weakening expectations, and promote stable and long-term economic development. Hong Kong, which has gradually recovered from the pandemic, is returning to normal. On the one hand, it will actively promote the expansion of "connectivity" and strengthen ties and cooperation with the mainland and the world. On the other hand, it will enhance its own advantages in innovation and financial technology, and strive to maintain its international leading position in the financial field.

In 2023, the Group will continue to strengthen its analysis of the macro environment and policies, improve the overall risk prevention capabilities, steadily develop traditional businesses, and at the same time pay close attention to market trends, actively explore new models, develop new products, and explore new fields. In terms of guarantee business, the Group will give full play to its comprehensive financial service capabilities and technological and financial advantages, optimize product structure, explore diversified cooperation, and seek progress while maintaining stability to develop guarantee business. The Group will also actively seize the development opportunities of the Guangdong-Hong Kong-Macao Greater Bay Area, and provide enterprises in the Greater Bay Area with characteristic comprehensive financial services in accordance with a number of policies. In terms of supply chain finance, the Group will pay close attention to industry developments and policies, strive to improve the Group's cost control capabilities, and at the same time accelerate the development of financial products in the breeding industry chain, and steadily promote comprehensive supply chain financial services to enhance the Group's core competitiveness.

Last but not least, on behalf of the Board, I would like to express my utmost appreciation to all shareholders, clients, business partners for their support. As the haze and fog clears, and winter gives way to spring, the Group will actively do a good job in strategic planning and risk prevention, meet challenges in the best state, and seize opportunities to make progress.

Zhang Tiewei
Chairman and Executive Director

30 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

Overview

In 2022, affected by unexpected factors such as resurgence of the pandemic and escalation of geopolitical conflicts, the global supply chain became more tense, energy and food prices rose, global inflation was pushed up, demand was further depressed, and downward pressure on the global economy gradually increased. The growth of major developed economies such as the United States and Europe slowed down, the trend of emerging and developing economies diverged, and some economies fell into energy, food or debt difficulties. In addition, affected by multiple factors such as intensified geopolitical and economic competition among major powers, intensified financial market turmoil, and rising commodity prices, the global economic growth rate declined significantly in 2022.

2022 was a crucial year for China to embark on a new journey to build a modern socialist country in an all-round way and march towards the second centenary goal. It was also the year when the 20th National Congress of the Communist Party of China was held. Facing the turbulent international environment and the arduous tasks of domestic reform, development and stability, the central government effectively coordinated pandemic prevention and control with economic and social development. China faced difficulties head on and made steady progress in its economic development despite the pressure. In 2022, the GDP reached RMB121 trillion, representing an increase of 3% over the previous year. The strong resilience, great potential, wide space and long-term good prospects that China's economy enjoyed remained unchanged. In 2022, RMB loans increased by RMB21.31 trillion, representing an increase of RMB1.36 trillion over the previous year; broad money supply (M2) increased by 11.8% year-on-year, which was 2.8 percentage points higher than that of the end of the previous year. The stability of total credit growth was enhanced, and financial institutions continued to increase credit support for key areas and weak links in the real economy. However, at the same time, the current international situation is complicated and severe, the triple pressure of domestic demand contraction, supply shock, and weakening expectations is still relatively large, and the foundation for economic recovery is not yet solid. In Hong Kong, due to the deterioration of the external environment, the sluggish global demand, the decline in exports of goods, coupled with the weakening of local demand, the impact of the fifth wave of the pandemic, and tightening financial conditions, the annual local GDP is estimated to fall by 3.5% year-on-year.

In 2022, affected by multiple factors such as resurgence of the pandemic, complicated and severe external economic situation, and domestic economic downturn, the Group faced enormous challenges in business development and risk management. It was more difficult to expand some businesses and the pace of business development continued to slow down. In the face of severe challenges, the Group reviewed the situation calmly and responded positively to ensure the orderly implementation of pandemic prevention and control and business operations. During the period, the Group continued to put risk prevention in the first place, strengthened the empowerment of technology and finance, and insisted on steadily developing traditional businesses. The Group propelled integrated services for the Greater Bay Area, expanded and reinforced cooperation channels and enhanced competitiveness through investments, mergers and acquisitions, explored new category of industry-finance integration, and guaranteed the steady development of the Group.

INDUSTRY AND BUSINESS REVIEW

Steadily Developing Traditional Businesses

For guarantee business, the demand for our guarantee services from customers generally correlates with individual's financing needs, corporates' business plans and macro-economic environment and sentiments. Geopolitical conflicts led to increased global inflation level and the COVID-19 pandemic affected demands from a macroeconomic perspective. Despite the PRC government adopting economic stimulating policies and the easing of COVID-19 pandemic control measures, demands in the macroeconomy will need time to gradually recover. Under the current economic downturn, individuals and corporates may face increased liquidity issues and credit risk. Moreover, as of the end of 2022, the "Regulations on Local Financial Supervision and Administration (《地方金融監督管理條例》)" was still under preparation, and its impact on the development of the Group's guarantee business was delayed.

In light of the foregoing, the Group adopted a "risk first, business second" approach as its business strategy for its guarantee services, thus slowed down the pace of business development. The Group took a relatively more risk adverse approach in carrying out traditional business and also considered PRC governmental policies and changes in customer demand with its engagement with customers. Meanwhile, the Group increased the layout of the technology and financial field, continued to explore technology empowering, used technology to strengthen risk management and control in all aspects, and enhanced the personalization and differentiation capabilities of financial products and services to build the core competitiveness of the Group. For the traditional guarantee business field, the Group actively made plans to seek breakthroughs. With the help of the agricultural breeding ecosystem built by the Group, it tapped into new potential for cooperation and continuously enriched the connotation of products. The Group will evaluate and consider its capital needs for its guarantee business in light of recovery of macroeconomic market.

The Board is of the view that it is appropriate to take a more risk adverse approach under the economic downturn and it is in the interests of the Company and its shareholders to do so. The performance of the Company's guarantee services should improve with the gradual and steady recover of the PRC economy.

For financial leasing business, in order to clarify the division of responsibilities for off-site supervision of financial leasing companies, standardize the procedures, content, methods and reporting paths of off-site supervision, and improve the off-site supervision and reporting system, in February 2022, the China Banking and Insurance Regulatory Commission issued the "Procedures for the Off-site Supervision of Financing Leasing Companies(《融資租賃公司非現場監管規程》)", which makes up for the shortcomings of the financial leasing company supervision system, has positive significance for improving the quality of off-site supervision of financial leasing companies, and guides the standardized, healthy and sustainable development of the financial leasing industry. In order to implement the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》)", strengthen supervision and management, and standardize the operation behavior of financial leasing companies, on 28 July 2022, the Guangdong Financial Supervisory Authority issued the "Detailed Rules for Supervision and Administration of Financial Leasing Company in Guangdong Province(《廣東省融資租賃公司監督管理細則》)", which clarifies the consultation mechanism, operating rules, daily supervision, risk prevention, legal responsibility and other provisions, better standardizes supervision and management, and guides financial leasing companies to operate in accordance with laws.

For financial leasing, commercial factoring and mega asset management businesses, in 2022, the Group conducted business prudently based on comprehensive analysis of the external economic environment and market demand, especially changes in market-related industry policies and the impact of repeated pandemic over the past three years.

Developing Integrated Services for the Greater Bay Area

The year 2022 marked the third anniversary of the promulgation and implementation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》), the 25th anniversary of Hong Kong's return to the motherland, and a crucial juncture to open a new stage of development of "governance and prosperity (由治及興)". Also, it was a critical year for advancing the building of Guangdong-Macao in-depth cooperation zone in Hengqin and the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. The Group actively grasped the opportunities arising from the development of the Guangdong-Hong Kong-Macao Greater Bay Area and integrated itself into the strategic construction of the Greater Bay Area with its own advantages, propelling the development of enterprises in the Greater Bay Area by providing specialized and integrated financial services and facilitating the construction of the Greater Bay Area.

Expanding and Reinforcing Cooperation Channels

In 2022, the Group adhered to the multi-channel development strategy, integrated the Group's multi-license resource advantages, built online + offline financial ecological channels, deepened cooperation with financial institution and financial technology companies, and continuously innovated financial service products to provide customers with characteristic financial services.

Steadily Promoting Integrated Financial Services for the Supply Chain

The central government has in recent years repeatedly and strategically devised plans for the development of the hog breeding industry by setting it on the agenda of "Central Document No.1". A series of policies were launched to encourage the rapid and healthy development of the hog breeding industry, in hopes of accelerating the scale optimization and modernization of the industry. In 2020, the Group acquired Yangmianshan Company Limited ("**Yangmianshan**") to capitalize on the beneficial PRC governmental policies and hog breeding industry transformation.

In 2022, under the influence of multiple factors such as the imbalance between market supply and demand, the increase in the cost of pandemic prevention and control, and the fluctuation of feed prices, the price of hogs showed obvious cyclical fluctuations. Through the Central Document No. 1, the central government emphasized the importance of maintaining the relative stability of the supply of hogs in the market and the price of pork products, and ensured stable supply and price through various measures such as improving the early warning mechanism for hogs, increasing the control of hog production capacity, strengthening the prevention and control of pandemic diseases, and enhancing market regulation.

In 2022, the Group transitioned from the hog fostering model to the self-breeding and self-raising model, shifting from engaging breeding farms to raise hogs for sale on market to raising sows to breed piglets and selling the market hogs at the appropriate time. The profit of the business derives from sales of market hogs and the costs of raising and breeding them and disease prevention control. The Group closely followed the national policy and continued to work hard in the field of supply chain finance. The first batch of self-bred and self-raised market hog was officially slaughtered in April 2022, with the hog output reaching 30,000 during the reporting period. The Group's supply chain finance business achieved phased results. However, due to various factors such as cyclical fluctuations in hog prices, rising breeding costs and future market trends of hogs, the income from hog breeding was not as satisfactory as expected, and profitability could not be achieved during the reporting period.

As at 31 December 2022, Yangmianshan has 37 employees, out of which 4 employees have more than 20 years of breeding and related experience, 11 employees have between 10 to 20 years of breeding and related experience and approximately 10 employees have between 5 to 10 years of breeding and related experience. More than half of the senior management of Yangmianshan also have 20 years or more breeding and related management experience.

Yangmianshan sells hogs through 3 agents and do not sell directly to retailers. The hogs are sold to agents in accordance with market price and breeding condition of the hogs such as weight and body condition. Yangmianshan has 16 feed suppliers and 20 drug suppliers, who are selected mainly according to hog breeding requirements, the quality of the feed or drug provided by the suppliers, their market reputation, credit period and scale and the stability of their supply.

The main stakeholders of the hog breeding business are the hog agents and suppliers. The hog agent may adjust the purchasing price according to market price and the quality of hogs sold; while corn and soybean meals are the main raw materials of the pig feeds, thus the suppliers of those materials are important to the business. In addition, Yangmianshan was named in the 2022 Guangdong Province livestock breeding standardization demonstration farm list, recognizing Yangmianshan's strength in hog breeding infrastructure and operation as compared with industry norms and standards.

The Board is of the view that the prospect of the business mainly depends on the market prices of hogs and feed. The market prices of hogs experienced a drastic increase from approximately RMB16.45 per kilogram to approximately RMB28.45 per kilogram during 2022, but fall to approximately RMB18 per kilogram by the end of 2022. The price of hogs are affected by amongst other factors, market supply and seasonal fluctuations.

Whilst facing a drop in market prices of hogs, the market prices of the main feeds for hog breeding, corn and soybean meals, increased throughout 2022. The market prices of corn meals increased from approximately RMB2,764 to RMB2,942 per ton, whilst the market prices of soybean meals experienced a steeper increase from RMB3,747 per ton to approximately RMB5,102 by the end of 2022.

Despite fluctuation in market prices of hogs and feeds, the Board is confident in the prospect of the business, as hog has traditionally been an inalienable part of Chinese diet and the hog industry is being supported by favourable PRC governmental policies.

The Board will keep eyes on the hog and feed market and strike a balance between the business and allocating better resources to the business, while acting in the interest of the Company and its shareholders and maximizing return to shareholders of the Company.

Strengthening Capabilities through Investments, Mergers and Acquisitions

In 2022, after careful consideration, the Group quitted the Success Science and Technology Innovation Park Project invested by the Group, which is one of the benchmarking projects of "Three Olds Redevelopment" in Shunde District, and achieved the expected goal of the investment.

FINANCIAL REVIEW

Revenue

The revenue of the Group was mainly generated from the revenue related to the principal businesses of the Group. For the year ended 31 December 2022, the Group's revenue was approximately RMB88.5 million (year ended 31 December 2021: approximately RMB102.6 million), representing a decrease of approximately 13.7%. Detailed analysis of the Group's revenue is as follows:

Financial Guarantee Services

Revenue from the Group's financial guarantee services was mainly generated from the service fees charged for our financial guarantee services. For the year ended 31 December 2022, the Group's net revenue generated from financial guarantee services was approximately RMB16.9 million (year ended 31 December 2021: approximately RMB74.0 million), representing a decrease of approximately 77.2%.

The net income from the financial guarantee services in 2022 decreased significantly compared to the same period of last year, which is attributable to the combined effect of the following factors: (i) due to the resurgence of COVID-19 pandemic, the changes in macro-economic and market conditions in 2022, the Group continuously optimized the guarantee business structure, and conducted its business in a prudent and selective manner, the pace of business development was slowed down. Coupled with the decrease in the overall guarantee rate in the market, the increasing competition in the guarantee business, the profitability of the Group's guarantee business decreased during the reporting period; and (ii) the Group faced decrease in guarantee income recognized during the current period from deferred revenue of previous years as a result of gradual maturity of existing guarantee business.

Non-financial Guarantee Services

Revenue from the Group's non-financial guarantee services was mainly generated from the service fees charged for providing customers with performance guarantees in relation to the performance of payment obligations and litigation guarantees. For the year ended 31 December 2022, the Group's revenue generated from non-financial guarantee services amounted to approximately RMB1.1 million (year ended 31 December 2021: approximately RMB0.7 million).

The Group continued to develop low-risk non-financial guarantee business and increase business development efforts to widen source of income for the Group.

Financial Consultancy Business

Revenue from the Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by the Group. For the year ended 31 December 2022, the Group's revenue generated from financial consultancy services was approximately RMB0.6 million (year ended 31 December 2021: approximately RMB0.06 million).

In 2022, the Group prudently and smoothly promoted the business development, and continued to provide financial consultancy services to mirco, small and medium-sized enterprises.

Revenue from Sales of Market Hogs

For the year ended 31 December 2022, the Group's revenue from sales of market hogs was approximately RMB69.9 million (for the year ended 31 December 2021: approximately RMB27.9 million).

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Sales of market hogs	**69,886**	27,898
Cost of market hogs sold	**(66,572)**	(14,752)
Net income	**3,314**	13,146

The Group's hog breeding business has gradually transitioned from the hog fostering model to the self-breeding and self-raising model. Since April 2022, the first batch of self-bred and self-raised commercial hogs have been slaughtered and began to record sales revenue in 2022. However, under the superimposed influence of multiple factors such as imbalance of hog market, increase in the cost of epidemic prevention and control, rising feeding costs due to rising prices in fodders and cyclical fluctuations in hog prices, profit from sales of market hogs during the reporting period fell short of expectations. The Group will continue to pay close attention to industry trends and policy guidance, and strive to improve the cost control ability of hog farming, through the scientific and modern hog farming model, strengthen the ability of epidemic diseases prevention and control, and build intelligent and standardized breeding equipment to improve the quality and efficiency of farming, and take multiple measures to strive to achieve quality improving, costs reducing and efficiency enhancing to increase revenue of the Group.

Other Revenue

The Group's other revenue comprised fair value gain on modification of the terms of convertible bonds, interest income from bank deposits, government grants and others. For the years ended 31 December 2021 and 2022, the Group's other revenue were approximately RMB1.9 million and RMB14.5 million, respectively, representing an increase of approximately 663.2%.

The significant increase in other revenue as compared to the same period of last year was mainly due to the gain arising from the fair value on the modification of the terms of the convertible bonds.

Operating Expenses

For the year ended 31 December 2022, the operating expenses (including research and development costs) of the Group was approximately RMB79.8 million (for the year ended 31 December 2021: approximately RMB58.4 million). The Group upheld the cost-efficient principle, the operating expenses was analyzed as follows:

	2022	2021
	RMB'000	RMB'000
Salaries	**27,339**	27,625
Audit fee	**4,754**	5,019
Amortization charges	**—**	3
Depreciation charge	**1,884**	1,829
Rentals	**90**	120
Intermediary consulting expenses	**5,426**	10,823
Office, travel and entertainment expenses	**7,186**	8,327
Exchange losses/(gains)	**2,188**	(78)
Others	**30,975**	4,762
Total	**79,842**	58,430

The decrease in the intermediary consulting expenses as compared to the same period of last year was mainly due to the decrease in the data service fee relating to the data storage, as a result of the decrease in the relevant guarantee business during the year, arising from the guarantee business restructuring.

The exchange loss during the year increased by approximately RMB2.3 million compared to the same period of last year.

The significant increase in other operating expenses compared to the same period of last year was mainly due to the value of approximately RMB29.1 million of culling hogs from Yangmianshan, a subsidiary of the Group (for the year ended 31 December 2021: approximately RMB1.7 million).

Changes in Fair Value of the Financial Assets

The Group's equity investment in a company is designated as a financial asset measured at fair value through profit or loss. Changes in the fair value of the Group's financial assets mainly refer to the fair value changes of the financial asset. The fair value assessment method of financial assets adopts the Adjusted Net Asset Value (ANAV), Discounted Cash Flow (DCF), Direct Market Comparison (DMC) and Depreciated Replacement Cost (DRC), which mainly assesses the value of the assets and liabilities of the respective target companies. Valuation assumptions include transaction assumptions for assets, open market assumptions, continuing use assumptions and going concern assumptions. During the reporting period, the net assets after valuation of the company decreased compared with the same period last year, resulting in a loss of approximately RMB4.72 million from changes in the fair value of financial assets for the reporting period.

Changes in Fair Value of the Biological Assets

The fair value of the biological assets were evaluated using the replacement cost method and the market method and assessed by the external valuer in accordance with the accepted industry standards. The assumptions for evaluation include the estimation of the market price, replacement cost, breeding cost, etc. of the biological assets. The evaluation impairment of the biological assets of approximately RMB3.1 million and the carrying forward of the evaluation impairment of the biological assets sold in the last year of approximately RMB4.6 million, resulted in an increase of approximately RMB1.5 million in total in changes in fair value of the biological assets, during the current period.

Share of Losses of Associates

The share of losses of associate amounted to a loss of approximately RMB0.4 million for the year ended 31 December 2022, representing a decrease of approximately RMB0.6 million as compared with the profits of approximately RMB0.2 million for the year ended 31 December 2021. During the reporting period, the performance of the associates of the Group did not meet expectations, and the Group will continue to pay attention to the operating conditions of the associates.

Loss Before Taxation

The Group's loss before taxation increased by approximately RMB21.1 million, or approximately 33.4%, from a loss of approximately RMB63.1 million for the year ended 31 December 2021 to a loss of approximately RMB84.2 million for the year ended 31 December 2022.

The loss before taxation during the year was primarily due to: (i) the significant decrease in the net revenue from the financial guarantee service of the Group in 2022 compared to the same period of last year; (ii) there are still some provision made by the Group for loss of impairment in 2022; and (iii) the increase in the operating expenses of the Group during the reporting period compared to the same period of last year.

Income Tax

For the year ended 31 December 2022, the Group's income tax expense amounted to approximately RMB-1.7 million, representing a decrease of approximately 108.7% from approximately RMB19.5 million of income tax expense in the corresponding period of 2021.

The decrease in income tax is mainly attributable to the increase in deferred income tax assets arising from the provision of impairment losses made by certain subsidiaries of the Group in 2022, making the deferred income tax expense has significant impact on the overall income tax.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management and Investment Policy

In order to utilise the Group's financial resources for obtaining a better return for the shareholders effectively, the Group's general approach is to seek some alternative investment opportunities which could provide a better return with limited risk exposure.

Pledged Bank Deposits and Cash and Bank Deposits

As at 31 December 2022, the current pledged bank deposits amounted to approximately RMB74.6 million (31 December 2021: approximately RMB110.6 million), representing a decrease of approximately RMB36.0 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB158.4 million (31 December 2021: approximately RMB185.4 million), representing a decrease of approximately RMB27.0 million, as compared to the end of last year. The Company has sufficient future cash flow to fund its daily operating expenses and cover the outstanding balance of convertible bonds. The decrease in cash and bank deposits was mainly due to the decrease in pledged deposits placed by third parties as a result of the requirements for conducting business between the Group and its customers.

Interest Rate Risk and Foreign Exchange Risk

As at 31 December 2022, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the year ended 31 December 2022 were principally conducted in RMB, while most of the Group's monetary assets and liabilities were denominated in HKD and RMB. As the RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have impact on the Group's result. Although foreign currency exposure does not pose a significant risk on the Group and currently, the Group does not have hedging measures against such exchange risks, the Group will continue to take proactive measures and monitor closely the risk arising from such currency movement.

Gearing Ratio

The Group's gearing ratio (total liabilities divided by total equity) decreased from approximately 125.2% as at 31 December 2021 to approximately 119.5% as at 31 December 2022, which was mainly due to the decrease in total liabilities. The decrease in total liabilities was mainly attributable to the decreases in guarantee liabilities (deferred income), pledged deposits payable to cooperative companies and liability component of convertible bonds.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group recruits personnel from the open market and enters into employment contracts with them. The Group offers competitive remuneration packages to employees, including salaries and bonuses to qualified employees. The Group also provides training to the staff on a regular basis to enhance their understanding and knowledge of the business of the Group, applicable laws and regulations on the industry and risk management.

The Group maintained stable relationship with its employees. As at 31 December 2022, the Group had 68 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to social insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB27.3 million for the year ended 31 December 2022.

The Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme as an incentive to the Directors and eligible employees.

SOCIAL ENTERPRISE

While serving the local economic development and assisting micro, small and medium-sized enterprises, the Group was also engaged in charitable activities to fulfil social responsibilities, whereby establishing a sound social image. For details, please see the sub-section headed "Social Enterprise" in the section headed "Report of our Directors" of this annual report.

PROSPECTS AND OUTLOOK

Macro Outlook

Looking forward to 2023, the global economic situation remains grim. With the introduction of China's pandemic prevention optimization policy as at the end of 2022, the world's major economies have largely gotten rid of administrative intervention against the pandemic and their economic development have gradually gotten back to normal. However, there is still great uncertainty as to development trends of the pandemic, attentions shall thereby be paid to its impact on the global economy. Affected by high inflation, geopolitical conflicts, intensified competition among major powers and other factors, the global economy will continue to be under pressure in 2023. According to the World Economic Situation and Prospects 2023 published by the United Nations, the growth of the global economy is projected to slow to 1.9%, being the lowest growth rate over the last decades.

2023 marks the first year for China to fully carry out the spirit of 20th Party Congress, and a critical year under the 14th Five-Year Plan for the Group to build on the past and prepare for the future. Although Chinese economy is currently facing triple great pressures of shrinking demand, supply shocks, and weakening expectations, coupled with the volatile external environment, which casts a more severe impact on China's economy, it is expected that the economy will be generally revitalized in 2023 given the national economy is resilient and is full of potential and vitality and the implementation of its various policies continues to deliver results. As proposed at the Central Economic Working Conference, in 2023, the economic work will be very much focused on "stability", seeking progress while maintaining stability. A proactive fiscal policy and prudent monetary policy will be further implemented and efforts will be intensified to regulate macro policies, working harder together to promote high-quality development based on various coordinated policies. In addition, priority shall be given to stabilize economic growth, employment and prices, and major risks shall be effectively prevented and dealt with, in order to promote overall economic improvement and achieve effective qualitative enhancement and reasonable quantitative growth. In Hong Kong, the pandemic development and global economic situation still affect the progress and pace of economic recovery. However, with the re-opening of the border between Hong Kong and the Mainland, inbound tourism is expected to rebound strongly. Efforts will be made to support the recovery of the service sector and increase local demand. And the current SAR government makes active efforts to enhance Hong Kong's competitiveness and explore new growth areas. The implementation of various measures will gradually bear fruit, and Hong Kong's economy will rebound significantly in 2023.

In 2023, China's economic development will present itself both opportunities and challenges. The Group will size up the situation, grasp the opportunity, give full play to the overall strengths of the Group and stimulate its vitality. In addition to steadily developing its traditional business, it will continue to explore new industry-finance integration models, develop integrated financial services for the supply chain, and adhere to the arrangement of the construction of the Greater Bay Area. The Group will constantly enhance its strength by means of investment and mergers and acquisitions when appropriate, in order to advance its overall core competitiveness.

Steadily Developing Traditional Businesses

In 2023, the Group will seek progress while maintaining stability on the principle of "risk first, business second", steadily develop traditional business, pay close attention to market trends, integrate resource advantages to create synergies, actively explore the market to seek new opportunities for cooperation and develop innovative products, adding new impetus for the long-term and steady development of the Group.

Regarding guarantee business, the Group will consider market demand and follow the policies to develop business, actively explore the market, develop new products, and diversify its guarantee product portfolios. It will also increase investment in the field of financial technology, strengthen cooperation with financial institutions and technology companies, and explore more diversified ways of cooperation. In order to enhance the core competitiveness of the Group, it will continue to optimize the product mix, intensify efforts to expand traditional guarantee business and constantly promote the improvement of quality and efficiency of financial services.

Regarding financial leasing, commercial factoring and mega asset management businesses, the Group will adjust its business target areas and business ideas appropriately based on the comprehensive study and judgment of the external economic environment and market demand.

Exploring a New Model of Industry-finance Integration and Developing Integrated Financial Services for the Supply Chain

Hogs breeding is an important part of agriculture and the healthy and stable development of this industry is crucial to the overall development of China's agriculture and the supply of the "Vegetable Basket Policy" for the people. In order to promote the steady development of the hogs breeding industry, the central government issued Central Document No.1 in February 2023, which emphasizes the implementation of each province taking their own full responsibility to ensure a stable hogs production and supply and strengthening the control of the hogs production capacity mainly contributed by brood sows. Looking ahead to 2023, the Group expects that hogs prices will continue to fluctuate frequently in the short term due to the cyclical influences, and the African swine fever will continue to cast an impact on the industrial disease prevention and control, and inflation and supply chain crisis will continue to push up the hogs breeding costs. In the face of multiple risks and challenges, the Group, on the one hand, strengthens its disease prevention and control ability through the modern "Hogs Farming in High Buildings" model featuring "stratified feeding by closed floors (樓房封閉、分層飼養)", improves the pig breeding quality and efficiency through developing smart and standardized feeding equipment, and strives to take various measures to improve the quality and efficiency and reduce the cost. On the other hand, the Group pushes forward the financial cooperation with the entire breeding industry chain, steadily promotes the integrated supply chain financial services, further facilitating the sustainable and stable development of business.

Developing Integrated Services for the Greater Bay Area

Guangdong-Hong Kong-Macao Greater Bay Area, an important area linking the domestic and overseas markets and leading two-way opening-up at home and abroad, plays a supporting and leading role in the national economic development and opening-up. With the sustaining optimization of policies against pandemic prevention and control, accelerated implementation of supporting policies, and the issuance of the Hengqin-Qianhai "30 Financial Measures(金融30條)", the Guangdong-Hong Kong-Macao Greater Bay Area will embrace greater development opportunities. The Group will give full play to its own advantages, seize economic development opportunities, actively engage itself into the strategic construction of the Greater Bay Area, empower enterprises within this area, and provide specialized integrated financial services.

Strengthening through Investments, Mergers and Acquisitions

Based on development opportunities in the market and long-term strategic planning, the Group will continue to seek new business investment opportunities by means of investment, equity participation or acquisition to expand new business markets and enhance the overall competitiveness of the Group.

USE OF PROCEEDS OF CONVERTIBLE BONDS

On 1 February 2018, the Company issued convertible bonds in an aggregate principal amount of HK$154,000,000 under general mandate. The net proceeds, after deducting the administration fee of HK$1,540,010, were HK$152,459,990, and had been fully utilized as at 31 August 2019. An analysis of the planned utilization and actual utilization of the proceeds up to 31 December 2019 is set out below:

Intended use of convertible bond proceeds	Planned allocation (HK$ in million)	Actual utilization (HK$ in million)	Actual utilization up to 31 December 2018 (HK$ in million)	Actual utilization up to 31 December 2019 (HK$ in million)
Pursuing suitable acquisition and partnership opportunities	7.6	5.5(note 1)	5.5	5.5
Utilized as additional net assets, register capital and/or paid-in capital	68.6	73.2(note 2)	73.2	73.2
Repayment of principal and interest of convertible bonds and handling charges	15.1	25.1(notes 3 and 4)	15.0	25.1
General working capital of the Group	61.2	48.7	31.6	48.7
Total	152.5	152.5	125.3	152.5

Notes:

1. HK$5.5 million was utilized for the acquisition of T. M. Management Limited ("**TM Management**"), a licensed financial institution holding license for Type 9 regulated activities issued by the Securities & Futures Commission of Hong Kong. The Group acquired all ordinary shares of TM Management to further extend the existing business scope of the Group.

2. HK$73.2 million was utilized for increasing the registered capital of Success Guarantee, a wholly owned subsidiary of the Group. The purpose of this use of proceeds is to enrich the Company's capital strength base to facilitate the active exploration of new business in the market with the use of financial technologies in the favourable environment of increased financial compliance requirements. Success Guarantee can undertake a larger scale of guarantee business through this capital increase.

3. HK$25.1 million was utilized, comprised of HK$15.1 million for repayment of interest payment of convertible bonds and handling charges and HK$10.0 million for repayment of principal of convertible bonds.

4. The 66.2% increase of the actual utilization in comparison with the initial planned allocation is due to the decision of the management of the Company to repay the principal of the convertible bonds. The management of the Company has confidence that repayment of principal in advance would improve the fund use efficiency of the Group.

THE GROUP'S GUARANTEE BUSINESS

Business model

The Group is engaged in the provision of financial and non-financial guarantee services in the PRC via its subsidiaries and primarily targets small and medium enterprises (SMEs) and individual customers in the PRC to assist them in obtaining working capital loans from banks or other financial institutions.

Under a typical financial guarantee transaction, our Group will provide a guarantee in respect of repayment of the loan provided by the lending institution for our customer and charge a guarantee fee for the provision of guarantee services. To secure the guarantee, we will require our customers and/or any third party to provide various kinds of counter-guarantees or collateral in favour of our Group such as equities, real properties and equipment. The financial guarantee fee received from our customers is proportionate to the guarantee amount agreed between us and our customer.

The Group also provides non-financial guarantee services, including performance guarantees in relation to, inter alia, the performance of payment obligations, under the agreements entered into between our customers and their counter-parties; and litigation guarantees in which we provide guarantee to the court that we will compensate the litigating counter-party for the loss incurred due to the freezing of such counter-party's property by the court as a result of our customers' inappropriate application for property preservation against such counter-party.

Concentration of receivables from guarantee payments and diversity of customers

Receivables from guarantee payments mainly represent default loan amount repaid by the Group on behalf of its customers. Upon default by a customer of a bank loan for a period of time, according to the relevant guarantee agreement and the compensation request of the bank, the outstanding current and non-current balance shall be firstly settled by the Group on behalf of the customer. The Group will then subsequently request repayment from the customer or realise the counter-guarantee assets provided by such customer to recover the compensation amount. Receivables from guarantee payments were interest bearing and the Group holds certain collaterals over certain customers. The net book value of receivables from guarantee payments increased from approximately RMB20.9 million as at 31 December 2021 to approximately RMB23.6 million as at 31 December 2022.

The total outstanding receivables from guarantee payments that the Group made for five of its customers who defaulted on their loans was approximately RMB55.1 million. The Group's receivables from guarantee payments due from the largest customer was approximately RMB15 million, which represent approximately 27.2% of the total receivables from guarantee payments. Revenue from financial and non-financial guarantee services were approximately RMB80.4 million and RMB1.1 million, representing approximately 98.7% and 1.3% of the Group's revenue from guarantee businesses, respectively.

In 2022, the Group has 235,141 and 23 customers for its financial and non-financial guarantee services businesses, out of which 30 are SMEs and 235,134 are individual customers, respectively. The ageing analysis of the outstanding receivables from guarantee payments are set out in note 13(a) to the audited consolidated financial statements of the Group.

The major terms of the traditional financial guarantee contracts the Group enter into with its customers are the following: (a) terms of the guarantees are between approximately 1 year and up to 3 years; (b) the customer shall pay a fee to the Group for the guarantee services provided (the "**Guarantee Fee**"), calculated based upon between approximately 0.3% and 3.5% of the total sum guaranteed by the Group; (c) in the event that the Group repays the lender the principal amount and/or interest (the "**Repaid Sum**") for its customer in accordance with the guarantee contract, the customer shall pay the Group the Repaid Sum together with daily interest of 0.05% on the Repaid Sum. The collateral coverage rate and default rate (i.e. the default payment during the year over the guarantee amount released) of the Group's guarantee business are approximately 95.60% and 0.84%, respectively.

Credit Risk Assessment Policy

The Group acts prudently in its assessments and approval of guarantee and adopts stringent credit risk assessment policy to mitigate against credit risk. The credit risk assessment procedure would commence with the project manager collecting identification and relevant corporate and financial documents from the customer. The project manager conducts due diligence on the customer and prepare and provide the risk management department an initial assessment report and due diligence report. The risk management department will review the reports together with the information collected from the customer and may request further information from the customer for credit risk assessment. Members of the risk management department may verify the information collected by conducting further due diligence on the customer. Once approval from the risk management department is obtained, recommendation will be made to the guarantee assessment committee for further approval of the guarantee. Members of the guarantee assessment committee may conduct further due diligence on the customer as and when appropriate.

The Group would:

(a) identify and assess the background, credit status and reputation of the customer and the counter guarantor such as their financial status, shareholders background and business reputation;

(b) ascertain and investigate the purpose of the guarantee and the source of repayment;

(c) conduct due diligence on the business of the customer and the counter guarantor such as their operating history and business operations; and

(d) conduct due diligence on the financial status of the customer and counter guarantor and the collateral offered.

The Group, in performing credit risk assessment on its customers and the counter guarantor, would typically review:

(a) background and credit search reports on the customer and the counter guarantor;

(b) corporate information on the customer and counter guarantor;

(c) investigation report on the purpose for which the guarantee was sought from the Group (if applicable);

(d) due diligence report on the business of the customer and the counter guarantor;

(e) financial information of the customer and the counter guarantor; and

(f) public search results on the customer, the counter guarantor and the collateral offered.

The Group would consider the following factors during its credit risk assessment before entering into the guarantee contracts:

(a) the background, credit status, reputation and business operations of the guarantee applicant and the counter guarantor (if applicable);

(b) source of repayment and repayment abilities of the guarantee applicant and the counter guarantor (if applicable);

(c) the value and nature of the collateral offered and the underlying purpose of the guarantee;

(d) cost of making guarantee payment;

(e) credit and other business risks of a guarantee;

(f) expected rate of return; and

(g) the loan-to-value ratio.

In considering a guarantee application, the Group primarily focuses on considering the loan repayment capability and creditworthiness of a customer. The value of collaterals provided for a guarantee application is supplementary assurance. The Group's customers are first required to pass the lender's credit and risk assessments before engaging the Group's guarantee services. The Group provides guarantee services based on assessment of the customers' loan repayment capability according to the Group's analysis of their operational and financial information gathered in the due diligence process. As such, the Group did not adopt prescribed loan-to-value ratio to assess guarantee applications. The loan-to-value ratio is generally required to be below 100% for successful guarantee applications i.e. the outstanding guarantee amount is fully secured by the value of the relevant collaterals.

Credit Limit Internal Control

The project manager, in conducting due diligence on the customer and preparing the initial assessment report, will provide the risk management department with an initial suggested credit limit for the guarantee. The risk management department, upon reviewing the initial assessment report and due diligence report prepared by the project manager, will determine the credit limit for the customer prior to granting approval and submitting to the guarantee assessment committee for further approval. Professional judgment is made by the management of the Group's guarantee business on the customer's credit limit based on the information gathered from due diligence and results of the customer's credit risk assessment.

Credit Approval Internal Control

Upon confirming the principal terms of the guarantee with the customer, the business and operations department of the Group's guarantee business will submit project report to the risk management department for approval. If approval is obtained, recommendation will be made to the guarantee assessment committee for further approval. Upon securing the approvals of the guarantee assessment committee and the executive director, the guarantee agreement and relevant document will be prepared based on the negotiated and approved terms.

Monitoring of collection of receivables from guarantee payments

The Group closely monitors collection of receivables from guarantee payments. The project managers assigned to each guarantee monitor the post-guarantee status of the customers. Information collected from due diligence and credit risk assessment on the customer are reviewed, updated and documented on a regular basis to monitor their abilities to make payment to the Group. The frequency of the review conducted by the Group depends on the industry the customer operates in, seasonality of the customer's business (if applicable) and the purpose for which the guarantee was seek from the Group. The Group generally conducts a review on its customers on a monthly or quarterly basis.

Steps the Group would take to monitor collection of receivables from guarantee payments include: a) conducting searches in the public domain on the customer and counter guarantor to obtain updated public information on them; b) obtaining and reviewing updated assets proof and financial information on the customer and counter guarantor; and c) understanding the customer's operation and financials through visiting their premises, reviewing their sale contracts, sale invoices, value added tax filing documents, utility bills, bank statements and other relevant documents.

The Group timely implements appropriate measures in the event that there is material deterioration in the customer's and counter guarantor's financial circumstances that affect their repayment abilities. In such event, the project manager and members of the risk assessment and guarantee assessment committees will have discussions with the customer or counter guarantor and conduct site visits on their business premises to understand the reason behind the material deterioration in their financial circumstances. Once the customer is determined to be facing material deterioration in their financial circumstances, the Group may demand its customers to provide further collaterals or counter guarantee in accordance with the terms of the guarantee contract, and the Group will also conduct frequent review on the customer as part of its monitoring of receivables from guarantee payments.

Actions the Company took to safeguard the Company's interest in the receivables from guarantee payments

The Group closely monitors the customer's financial condition, business operation, counter-guarantee condition and performance of obligations under the guarantee contract, and will conduct regular assessment of the customer's business operation and/or assets and liabilities. To safeguard the Company's interest in the receivables from guarantee payments, in the event that the customer faces difficulty with making payment to the Group, discussions will be held with the customer to understand their financial circumstances and to formulate repayment plan and debt restructuring plan for the outstanding payment. The Group will, as last resort, commence legal action against all relevant counterparties (the customers and their counter guarantors) and apply for enforcement and auction sale from the relevant court thereafter to recover the receivables from guarantee payment and/or to realize the collaterals to satisfy the debt.

Movements of Impairment Loss and Provision Charged/ (Written Back) On Receivables From Guarantee Payment

Impairment and provision mainly represents the provision charged/(written back) for guarantees issued and the impairment provision for receivables from guarantee payments, trade debtors receivables, deposit and other receivables, amounts due from related parties, factoring receivable, finance lease receivable, impairment of investment in associate and others, where it is likely that the customers or other parties are in financial difficulties and recovery was considered to be remote. In the event that any impairment and provision was made in the previous years but subsequently recovered, impairment and provision previously made will be written back in the year in which the relevant amount is recovered. The Group recognized RMB16.52 million as impairment loss charged on receivables from guarantee payments for the financial year ended 31 December 2022, primarily due to the increase in risk of recovery of five guarantee agreements, which led to the increase in provision ratio (each, the "**Impaired Agreement**", collectively, the "**Impaired Agreements**").

The counter parties to the Impaired Agreements as set out below are independent third parties and not connected to the Company and its connected persons and the Impaired Agreements have no bearing on the related parties of the Company. A breakdown of the impairment loss recognised for the financial year ended 31 December 2022 in respect of such Impaired Agreement are as follows:

Counter Party		Types of Receivables	Impairment loss/(reversal) for 2022 (RMB million)
1.	Relevant Party A	Overdue and credit-impaired	4.83
2.	Relevant Party B	Overdue and credit-impaired	4.84
3.	Relevant Party C	Overdue and credit-impaired	3.23
4.	Relevant Party D	Overdue and credit-impaired	3.23
5.	Relevant Party E	Overdue and credit-impaired	1.62
6.	Relevant Party F*	Repayment of receivables from guarantee payments	(1.23)
		Total	16.52

* Relevant Party F has repaid receivables from guarantee payments amounting to RMB1.23 million in 2022.

Relevant Party A、Relevant Party B、Relevant Party C、Relevant Party D and Relevant Party E

Relevant Party C was the lead contractor who received the construction project from Evergrande Real Estate Group and other real estate developers. It subcontracted work to Relevant Party A, Relevant Party B and Relevant Party E. Relevant Party D was the machine and equipment supplier of Relevant Party C. Furthermore, Relevant Party C provided guarantee for Relevant Party A, Relevant Party B, Relevant Party D and Relevant Party E with the credit limit approved by the Company.

In 2022, pursuant to the guarantee agreements, the Company fulfilled its guarantee obligations while the bank loans of Relevant Party A, Relevant Party B, Relevant Party C, Relevant Party D, Relevant Party E were defaulted, which amounted to RMB15.01 million, RMB15.03 million, RMB10.04 million, RMB10.04 million and RMB 5.02 million, respectively.

Reason for impairment recognition

Due to the default of Evergrande Real Estate Group and other real estate developers, Relevant Party A, Relevant Party B, Relevant Party C, Relevant Party D and Relevant Party E faced severe cash flow issues and defaulted on their bank loans. Considering that the net realizable values of the collaterals are less than the carrying amount of the receivables from guarantee payments, the Company is of the opinion that Relevant Party A, Relevant Party B, Relevant Party C, Relevant Party D and Relevant Party E are unlikely to repay receivables from guarantee payments to the Company in full with proceeds from disposal of the collaterals, and thus the impairment losses of RMB4.83 million, RMB4.84 million, RMB3.23 million, RMB3.23 million and RMB1.62 million were recognised for receivables due from Relevant Party A, Relevant Party B, Relevant Party C, Relevant Party D and Relevant Party E, respectively, during 2022 based on the difference between their carrying amounts and net realizable values of the collaterals.

Valuation inputs used or key assumptions adopted in the impairment valuation and the valuation method adopted and the reason(s) for adopting such method

For receivables from guarantee payments, the Company performed impairment assessment at the end of the reporting period using the expected credit loss ("**ECL**") model as required by HKFRS 9, and the accounting policy, key assumptions and inputs as stated in Notes 1(I)(i) and 13(a)(ii) to the consolidated financial statements in the Company's 2022 Annual Report.

As stated in Note 13(a) to the consolidated financial statements in the Company's 2022 Annual Report, receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired. Therefore, ECLs are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The Company estimated the future cash flows to be received based on the estimated net realisable value of collaterals provided for the Impaired Agreements or amounts expected to be recovered from the counter guarantors. The determination of the estimated net realizable value of the collaterals takes into account the nature of the collateral, its geographical location, its rate of depreciation, cost of disposal, time required for disposing the collateral and the estimated internal rate of return of the Impaired Agreement.

Details of the key assumptions and inputs adopted in the impairment assessment of each of the Impaired Agreements are set out below.

Relevant Party A、Relevant Party B、 Relevant Party C、Relevant Party D and Relevant Party E

Estimated value of collaterals:	Pursuant to the collateral contracts, the properties and the residential land collateralized shall be liquidated through a public auction process. The valuation of the properties was based on the indicative auction starting price in the auction announcement issued by the court. The valuation of the residential land was prepared by the Company based on the recent auction price of residential land in the same district. As receivables from Relevant Party A、Relevant Party B、Relevant Party C、Relevant Party D and Relevant Party E are collateralized by the same assets, the estimated net realisable value of the collaterals was apportioned to each relevant Impaired Agreement according to Relevant Parties' relative amount outstanding as at 31 December 2022.
Discount on the valuation of the collaterals:	The Directors have applied a discount rate to the valuation taking into consideration factors such as the difficulty of disposal, estimated time and cost of disposal, as well as the time value of money.

There is no significant change in the value of inputs or assumptions from those previously adopted.

Report of our Directors

FAIR REVIEW OF BUSINESS

A fair review of the business of our Group as well as discussion and analysis of our Group's performance during the year ended 31 December 2022 and the material factors underlying its financial performance are set out in the "Chairman Statement" and the "Management Discussion and Analysis" sections of this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of our Group are the provision of guarantee, financial leasing, factoring, sales of market hogs and financial consultancy services in China.

FINANCIAL RESULTS

The results of our Group for the year ended 31 December 2022 and the state of our Group's affairs as at that date are set out in the consolidated financial statements on pages 89 to 206 of this annual report.

CASH FLOW POSITION

The cash flow position of our Group for the year ended 31 December 2022 is set out and analysed in the consolidated cash flow statements set out on pages 94 of this annual report.

DIVIDENDS

The Board has resolved not to declare a final dividend by the Company for the year ended 31 December 2022. The Company has adopted a dividend policy that any undistributed profit will not be distributed in the foreseeable future for the development and operations of the Group.

PROFESSIONAL TAX ADVICE RECOMMENDED

For any taxation implications of purchasing, holding, disposing of, dealing in the shares of our Company, shareholders should consult an expert.

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2022 are set out in note 16 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 22 May 2023 to 25 May 2023 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 19 May 2023.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the aggregate amount of the distributable reserves of our Company was approximately RMB410.7 million. Movements in the distributable reserves of our Group during the year are set out in note 31(i) and note 35 to the financial statements.

RESERVES

Movements in the reserves of our Group during the year are set out in the consolidated statement of changes in equity on page 93 of this annual report.

EQUIPMENT

Details of the movements of equipment of our Group for the year ended 31 December 2022 are set out in note 20 to the consolidated financial statements.

SHARE OPTION SCHEME

Our Company maintains two share option schemes, namely the Pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and the Post-IPO share option scheme (the "**Post-IPO Share Option Scheme**", together with the Pre-IPO Share Option Scheme, collectively referred as the "**Share Option Schemes**"). The schemes were adopted pursuant to a written resolution of shareholders of our Company passed on 18 October 2013 (the "**Adoption Date**").

The Pre-IPO Share Option Scheme

(a) *Purpose and participants of the Pre-IPO Share Option Scheme*

The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to employees (namely our directors, senior management, officers and other employees) to recognize their contribution, to retain and to motivate them for the development of our Group and to attract potential experienced and skilled personnel to join our Group.

Our Board may, at its discretion, offer any employee of our Group, options to subscribe for shares in our Company subject to the terms and conditions of the Pre-IPO Share Option Scheme.

(b) *Number of shares available for issue under the Pre-IPO Share Option Scheme*

The total number of shares available for issue under the Pre-IPO Share Option Scheme is 10,000,000 shares, which represents approximately 1.81% of the Company's issued shares of 552,307,936 as at the date of this annual report.

(c) *Maximum entitlement of each participant under the Pre-IPO Share Option Scheme*

On 6 November 2013, our Company granted 10,000,000 options under the Pre-IPO Share Option Scheme and accordingly, no further options can be granted under the Pre-IPO Share Option Scheme. Our directors, senior management and other employees were entitled to options representing 1,000,000 shares, 3,000,000 shares and 6,000,000 shares, respectively. The number of options to be granted to each grantee under the Pre-IPO Share Option Scheme was determined by the Board based upon a number of factors including and not limited to experience of the employee, length of service, performance of the grantee and their contribution to the Company.

(d) Exercising and vesting period of options granted under the Pre-IPO Share Option Scheme

The share options granted to each option holder shall vest and become exercisable in the following manner:

(i) 50% of the options shall vest between 6 November 2013 and 30 June 2014 and become exercisable on 30 June 2014 until 5 November 2023;

(ii) 30% of the options shall vest between 6 November 2013 and 30 June 2016 and become exercisable on 30 June 2016 until 5 November 2023; and

(iii) 20% of the options shall vest between 6 November 2013 and 30 June 2018 and become exercisable on 30 June 2018 until 5 November 2023.

The options remain exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme, which are in force and effect in all material respects.

(e) The amount payable on acceptance of the share option

The amount payable on acceptance of an offer for grant of an option is HK$1.00.

(f) The basis of determining the exercise price

The exercise price for the options granted under the Pre-IPO Share Option Scheme is HK$1.90, representing approximately 17.4% discount to HK$2.30, the mid-point of the indicative offer price range for our listing.

(g) The remaining life of the Pre-IPO Share Option Scheme

No further options will be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Exercised, cancelled or lapsed Share Options

During the twelve-month period ended 31 December 2022, none of the Pre-IPO Share Options have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 40,000 shares were lapsed. As at 31 December 2022, the Pre-IPO Share Options to subscribe for 6,408,000 shares remained outstanding.

During the twelve-month period ended 31 December 2022, the movements of the options which have been granted under the Pre-IPO Share Option Scheme are set out below:

Category and name of participants	Vesting period	Exercise period	Exercise price per share option	Outstanding as at 1 January 2022	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 31 December 2022
Category 1 – Director								
Li Bin	6 November 2013 – 30 June 2014	30 June 2014 – 5 November 2023	HK$1.90	500,000	–	–	–	500,000
	6 November 2013 – 30 June 2016	30 June 2016 – 5 November 2023	HK$1.90	300,000	–	–	–	300,000
	6 November 2013 – 30 June 2018	30 June 2018 – 5 November 2023	HK$1.90	200,000	–	–	–	200,000
Dai Jing (Note 2)	6 November 2013 – 30 June 2014	30 June 2014 – 5 November 2023	HK$1.90	450,000	–	–	–	450,000
	6 November 2013 – 30 June 2016	30 June 2016 – 5 November 2023	HK$1.90	270,000	–	–	–	270,000
	6 November 2013 – 30 June 2018	30 June 2018 – 5 November 2023	HK$1.90	180,000	–	–	–	180,000
Sub-Total				1,900,000	–	–	–	1,900,000
Category 2 – Employees under continuous employment contract								
	6 November 2013 – 30 June 2014	30 June 2014 – 5 November 2023	HK$1.90	2,168,000	–	(20,000)	–	2,148,000
	6 November 2013 – 30 June 2016	30 June 2016 – 5 November 2023	HK$1.90	1,428,000	–	(12,000)	–	1,416,000
	6 November 2013 – 30 June 2018	30 June 2018 – 5 November 2023	HK$1.90	952,000	–	(8,000)	–	944,000
Sub-Total				4,548,000	–	(40,000)	–	4,508,000
Total				6,448,000	–	(40,000)	–	6,408,000

Notes:

1. The date of grant of the options is 6 November 2013.

2. Ms. Dai Jing was a member of the senior management of the Company when the share options were granted.

The Post-IPO Share Option Scheme

The Company had announced to grant a total of 32,155,400 share options on 18 May 2020, of which 400,000 share options granted had been rejected by a grantee, leaving a balance of 31,755,400 share options. Of 31,755,400 share options, 3,600,000 share options have been granted to the directors of the Board, 3,155,400 share options have been granted to the core employees of the Group, and 25,000,000 share options have been granted to the employees of the Group who have been set specific performance targets as an incentive. As at the date of this annual report, the Post-IPO Share Options to subscribe for 31,455,400 shares remained outstanding.

The validity period of the options granted shall be 10 years from the grant date (the "**Share Option Validity Period**") and the options shall lapse at the expiry of the Share Option Validity Period or earlier if the service relationship between the Company and the respective grantee of the options has terminated prior to the expiry of the validity period.

(a) Purpose and participants of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to attract and retain the best available personnel and to provide additional incentive to employees, directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The Post-IPO Share Option Scheme, with its broader basis of participation, will enable our Group to reward our directors, employees and other selected participants for their contributions to our Group.

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee, director, consultant, advisor, distributor, contractor, supplier, agent, customer, business partner or service provider of our Group or any substantial shareholder of our Company, share options under the Post-IPO Share Option Scheme.

The basis of eligibility of any participant to the grant of any share option shall be determined by the Board from time to time on the basis of their contribution or potential contribution to the development and growth of our Group.

(b) *Maximum number of Shares available for issue*

The maximum number of shares issuable upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Post-IPO Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the shares in issue upon the Listing Date. The limit of 10% may be refreshed at any time by approval of the shareholders of our Company in general meeting provided that the total number of the shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. The limit on the grant of share options under the Post-IPO Share Option Scheme was refreshed from 41,404,400 shares to 54,301,362 shares with the approval of the shareholders of the Company at the general meeting held on 27 May 2021, which represent approximately 9.83% of the Company's issued shares of 552,307,936 as at the date of this annual report. 54,301,362 options are available for grant under the Post-IPO Share Option Scheme at the beginning and the end of the year.

(c) *Maximum entitlement of each Participant under the Post-IPO Share Option Scheme*

The total number of the shares issued and to be issued upon exercise of the options granted and to be granted to each Participant, under the Post-IPO Share Option Scheme and under any other share option scheme(s) of our Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a Participant in excess of the 1% limit shall be subject to Shareholders' approval in general meeting.

(d) *Exercising and vesting period of options granted under the Post-IPO Share Option Scheme*

For the directors and core employees, the share options granted to them may be vested in a lump sum from the date of grant and may be exercised at any time during the Share Option Validity Period.

For the employees with performance assessment, the share options granted to them may be exercised only after they have achieved the specific performance targets relating to the Group. The performance targets have been determined by the Board and set out in the respective grant letter of each Grantee. Unless the performance targets are met, the share options granted to the employees with performance assessment will lapse.

The share options may be exercised by employees with performance assessment during the Share Option Validity Period in the following manner:

1. firstly exercising up to 25% of the share options at any time from 31 March 2021 till the expiration of the Share Option Validity Period;

2. further exercising up to 35% of the share options at any time from 31 March 2022 till the expiration of the Share Option Validity Period; and

3. in respect of the remaining 40% of the share options, which, for the avoidance of doubt, comprise those share options which have not been exercised (and not lapsed) since 31 March 2021, at any time from 31 March 2023 till the end of the Share Option Validity Period.

(e) The amount payable on acceptance of options granted under the Post-IPO Share Option Scheme

A nominal consideration of HK$1.00 is payable on acceptance of the grant of Options.

(f) The basis of determining the exercise price

The exercise price for the options granted under the Post-IPO Share Options Scheme is HK$0.84. The exercise price of options granted under the Post-IPO Share Option Scheme shall be a price determined by the Board and notified to the relevant Participant at the time the grant of the options is made to the Participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the share on the date on which the option is granted.

(g) Remaining Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from its adoption date on 18 October 2013.

Exercised or lapsed Share Options

During the twelve-month period ended 31 December 2022, 120,000 shares of the Post-IPO Share Options have been exercised by employees (under continuous employment contract). The exercise price per option was HK$0.84 and the closing price of the shares immediately before the date on which the options were exercised was HK$0.96. 30,000 share options granted under the Post-IPO Share Option Scheme were lapsed during the same period. As at 31 December 2022, the Post-IPO Share Options to subscribe for 31,455,400 shares remained outstanding.

During the twelve-month period ended 31 December 2022, the movements of the options which have been granted under the Post-IPO Share Option Scheme are set out below:

Category and name of participants	Vesting period	Exercise period	Exercise price per share option	Outstanding as at 1 January 2022	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 31 December 2022
Category 1 – Director								
Zhang Tiewei	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Li Bin	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Dai Jing	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Xu Kaiying	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Pang Haoquan	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Tsang Hung Kei	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Au Tien Chee Arthur	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Xu Yan	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Zhou Xiaojiang	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Sub-Total				3,600,000	–	–	–	3,600,000

Category and name of participants	Vesting period	Exercise period	Exercise price per share option	Outstanding as at 1 January 2022	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 31 December 2022
Category 2 – Employees under continuous employment contract								
	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	HK$0.84	3,005,400	(120,000)	(30,000)	–	2,855,400
Sub-Total				3,005,400	(120,000)	(30,000)	–	2,855,400
Category 3 – Employees with performance evaluation								
	31 March 2021 – 17 May 2030	31 March 2021 – 17 May 2030	HK$0.84	6,250,000	–	–	–	6,250,000
	31 March 2022 – 17 May 2030	31 March 2022 – 17 May 2030	HK$0.84	8,750,000	–	–	–	8,750,000
	31 March 2023 – 17 May 2030	31 March 2023 – 17 May 2030	HK$0.84	10,000,000	–	–	–	10,000,000
Sub-Total				25,000,000	–	–	–	25,000,000
Total				31,605,400	(120,000)	(30,000)	–	31,455,400

Notes:

1. The date of grant of the options is 18 May 2020.

2. The average closing price of the shares for the five business days immediately before the Date of Grant is HK$0.816 per share.

3. Mr. Xu Yan retired as independent non-executive director of the Company with effect from 12 November 2022 and the share options held by him lapsed in February 2023.

Report of our Directors

DIRECTORS

The directors who held office during the year ended 31 December 2022 and up to the date of this annual report are:

Executive Directors

Mr. ZHANG Tiewei (re-elected on 21 May 2020)
Mr. LI Bin (re-elected on 27 May 2021)
Mr. DAI Jing (re-elected on 26 May 2022)
Mr. XU Kaiying (re-elected on 21 May 2020)
Mr. PANG Haoquan (re-elected on 26 May 2022)

Independent Non-executive Directors

Mr. TSANG Hung Kei (re-elected on 27 May 2021)
Mr. AU Tien Chee Arthur (re-elected on 26 May 2022)
Mr. ZHOU Xiaojiang (re-elected on 21 May 2020)

Pursuant to Article 108 of the articles of association of our Company (the "**Articles of Association**") and code provision B.2.2 of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), one-third of our directors will retire by rotation at the annual general meeting of our Company and will be eligible for re-election at that meeting.

Accordingly, Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Zhou Xiaojiang will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Biographical details of the directors and senior management of our Company are set out at pages 71 to 75 of this annual report.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of the directors' information of the Company since the date of our 2022 interim report until the date of this annual report are as follows:

Mr. Xu Yan retired as independent non-executive director of the Company with effect from 12 November 2022. Currently the Board comprises (i) five executive directors, namely, Mr. Zhang Tiewei, Mr. Li Bin, Ms. Dai Jing, Mr. Xu Kaiying and Mr. Pang Haoquan, and (ii) three independent non-executive directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Zhou Xiaojiang.

DIRECTORS' SERVICE CONTRACTS

Except for (i) Ms. Dai Jing, whose service agreement commenced on 18 May 2021; (ii) Mr. Xu Kaiying, whose service agreement commenced on 4 July 2022; and (iii) Mr. Pang Haoquan, whose service agreement commenced on 6 January 2020, each of the executive directors has entered into a service agreement with our Company for a term of three years commencing on 13 November 2022, and such service agreements may be terminated in accordance with the terms of the service agreements.

Except for Mr. Zhou Xiaojiang, whose service agreement commenced on 4 July 2022, each of the independent non-executive directors was appointed to our Board pursuant to their respective letters of appointment, for an initial term of three years commencing on 13 November 2022, and such appointment may be terminated in accordance with the terms of the letters of appointment.

As at 31 December 2022, none of our directors proposed for re-election at the forthcoming AGM of our Company has a service contract with members of our Group that is not determinable by our Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The emoluments of our directors are recommended by the remuneration committee, and decided by our Board, having regard to our Company's operating results, individual performance, experience, responsibility, workload and the prevailing market practices. No director is involved in deciding their own remuneration.

Our Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme as an incentive to our directors and eligible employees. Details of the schemes are set out under the section headed "Share Option Schemes" of this annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of our directors and the five highest paid individuals of our Group during the year under review are set out in notes 7 and 8 to the financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the financial year. Our Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as is known to the Directors or chief executives of the Company, the following persons other than a Director or chief executive of the Company had an interest or a short position in the Shares and underlying Shares which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "**SFO**") and as recorded in the register required to be kept by our Company under section 336 of the SFO:

Long Position in shares

Name of Shareholder	Nature of interests	Notes	Number of Shares	Equity Derivatives	Total Equity (Long Position)	Approximate Percentage of Shareholding *(Note 7)*
Expert Depot Limited	Beneficial interest	1,6	121,490,000	–	121,490,000	22.00%
Bliss Success Investments Limited	Beneficial interest	2, 6	72,218,000	–	72,218,000	13.08%
Novel Heritage Limited	Beneficial interest	3, 6	60,876,000	–	60,876,000	11.02%
Insider Solution Limited	Beneficial interest	4, 6	15,000,000	–	15,000,000	2.72%
New Maestro Investments Limited	Beneficial interest	5	44,998,000	–	44,998,000	8.15%
Chance Talent Management Limited	Beneficial interest	8	0	44,954,108	44,954,108	8.14%

Notes:

1. Expert Depot Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Zhang Tiewei, our Chairman and an executive Director.

2. Bliss Success Investments Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Xu Kaiying, an executive Director.

3. Novel Heritage Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Pang Haoquan, an executive Director.

4. Insider Solution Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Chen Guoxian.

5. New Maestro Investments Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. He Darong.

6. Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. They are deemed to be interested in 272,422,000 shares, representing approximately 49.32% of the total issued share capital of the Company as at 31 December 2022 by virtue of the SFO.

7. Calculated with reference to the number of issued Shares (552,307,936 shares) as at 31 December 2022.

8. On 1 February 2018, the Company issued convertible bonds in the aggregate principal amount of HK$154 million to Chance Talent Management Limited ("**Chance Talent Management**").

   As of 31 December 2021, the principal amount of the remaining convertible bonds was HK$64,000,000. On 18 January 2022 and 13 June 2022, the Company received conversion notices from Chance Talent Management for the partial conversion of convertible bonds in an aggregate principal amount of HK$10,000,000 at the conversion price of HK$1.09 per Share. As a result of the Conversion, the Company allotted and issued a total of 9,174,312 conversion shares (the "**Conversion Shares**"). The issued share capital of the Company has been increased to 552,187,936 shares upon allotment and issue of the Conversion Shares. Following the repayment of the principal amount of HK$5,000,000 by the Company, the principal amount of the remaining convertible bonds was HK$49,000,000 as of 31 December 2022.

   Assuming full conversion of the remaining balance of the convertible bonds at a conversion price of HK$1.09 per share, 44,954,108 shares (the "**Convertible Shares**") will be converted, issued and allotted to Chance Talent Management. For this purpose, Chance Talent Management is deemed to be interested in the Convertible Shares under the SFO.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who has the interests or short positions in any Shares or underlying Shares of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests and short positions of each director and chief executive of our Company and their respective associates in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to our Company and the Stock Exchange, are set out below:

Long Position in shares

Name of Director	Nature of interests	Notes	Number of shares held	Number of underlying shares	Total interests (long position)	Approximate percentage of shareholding *(Note 8)*
Mr. Zhang Tiewei	Beneficial interest, interests held jointly with other persons and interest in a controlled corporation	1,2,9	272,022,000	400,000	272,422,000	49.32%
Mr. Xu Kaiying	Interests held jointly with other persons and interest in a controlled corporation	3, 4, 9	272,022,000	400,000	272,422,000	49.32%
Mr. Pang Haoquan	Interests held jointly with other persons and interest in a controlled corporation	5, 6, 9	272,022,000	400,000	272,422,000	49.32%
Mr. Li Bin	Beneficial Interest	7	–	1,400,000	1,400,000	0.25%
Ms. Dai Jing	Beneficial Interest	7	–	1,300,000	1,300,000	0.24%
Mr. Tsang Hung Kei	Beneficial Interest	7	–	400,000	400,000	0.07%
Mr. Au Tien Chee Arthur	Beneficial Interest	7	–	400,000	400,000	0.07%
Mr. Zhou Xiaojiang	Beneficial Interest	7	–	400,000	400,000	0.07%

Notes:

1. Mr. Zhang Tiewei, Chairman and executive Director, directly held 1,638,000 shares and 121,490,000 shares are held indirectly by him through Expert Depot Limited, a company incorporated in the British Virgin Islands which is wholly owned by him. By virtue of the SFO, he is also deemed to be interested in 148,894,000 Shares through an acting in concert confirmation dated 31 May 2015.

2. Mr. Zhang Tiewei's interest under equity derivatives was 400,000 share options

3. Mr. Xu Kaiying, an executive Director, indirectly held 72,218,000 shares through Bliss Success Investments Limited, a company incorporated in the British Virgin Islands which is wholly owned by him. He is also deemed to be interested in 199,804,000 Shares through an acting in concert confirmation dated 31 May 2015 by virtue of the SFO.

4. Mr. Xu Kaiying's interest under equity derivatives was 400,000 share options.

5. Mr. Pang Haoquan, an executive Director, indirectly held 60,876,000 Shares through Novel Heritage Limited, a company incorporated in the British Virgin Islands which is wholly owned by him. He is also deemed to be interested in 211,146,000 Shares through an acting in concert confirmation dated 31 May 2015 by virtue of the SFO.

6. Mr. Pang Haoquan's interest under equity derivatives was 400,000 share options.

7. The Company granted 1,000,000 and 900,000 options under the Pre-IPO Share Option Scheme to Mr. Li Bin and Ms. Dai Jing on 6 November 2013. On 18 May 2020, the Company granted 400,000 share options under the Post-IPO Share Option Scheme to each of the directors of the Board. Except for Mr. He Darong, the then nonexecutive director, the remaining directors all accepted the share options granted by the Company. None of the Pre-IPO Share Options have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 40,000 shares were lapsed. 120,000 shares of the Post-IPO Share Options have been exercised and 30,000 shares of the Post-IPO Share Options were lapsed during the twelve-month period ended 31 December 2022.

8. Calculated with reference to the number of issued Shares (552,307,936 shares) as at 31 December 2022.

9. Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. Hence, they are deemed to be interested in 272,422,000 shares, representing approximately 49.32% of the total issued share capital of the Company as at 31 December 2022 by virtue of the SFO.

10. Mr. Xu Yan retired as an independent non-executive director of the Company on 12 November 2022. The 400,000 share options held by him lapsed in February 2023.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives of the Company or their respective associates had any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (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 and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Name of director	Date of grant	Exercise Period (subject to vesting period)	Exercise price per share HK$	Exercised during the period	Number of shares subject to outstanding options as at 31 December 2022	Approximate percentage of our Company's issued capital
Zhang Tiewei	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Li Bin	6 November 2013	30 June 2014 – 5 November 2023	1.9	Nil	1,000,000	0.18%
	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Dai Jing	6 November 2013	30 June 2014 – 5 November 2023	1.9	Nil	900,000	0.16%
	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Xu Kaiying	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Pang Haoquan	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Tsang Hung Kei	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Au Tien Chee Arthur	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Zhou Xiaojiang	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%

Note: Mr. Xu Yan retired as an independent non-executive director of the Company on 12 November 2022. The 400,000 share options held by him lapsed in February 2023.

Further details of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are set out in the section headed "Share Option Schemes" in this annual report.

Save as disclosed above, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the reporting period.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any director or any person engaged in the full-time employment of our Company, concerning the management and administration of the whole or any substantial part of the business of our Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

On 16 May 2022, the Company, Chance Talent Management (the "**Purchaser**") and the Obligors entered into a Third Supplemental Deed of Amendment to further amend certain terms and conditions of the Convertible Bond. The Obligors comprise of Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan, who are executive directors of the Company, and Expert Depot Limited, Bliss Success Investments Limited, Novel Heritage Limited and Insider Solution Limited, which are substantial shareholders of the Company. Pursuant to the Third Supplemental Deed of Amendment, Expert Depot Limited pledged 110,000,000 shares in favour of the Purchaser to secure all sums that remain due and payable under the Convertible Bonds by the Company to the Purchaser.

Expert Depot is directly wholly owned by Mr. Zhang Tiewei, the Company's controlling shareholder. For details, please refer to the announcements of Company dated 16 May 2022 and 10 June 2022, respectively.

Save as disclosed above, no contract of significance in relation to our Group's business to which our Company or any of its subsidiaries or associated company was a party and in which any director of our Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between our Group and a controlling shareholder of our Company in the year ended 31 December 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, no directors had interest in any business which directly or indirectly competes, or is likely to compete, with the business of our Group.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

Our Company has granted options to subscribe for an aggregate of 10,000,000 shares (the "**Pre-IPO Share Options**") pursuant to the Pre-IPO share option scheme. During the twelve-month period ended 31 December 2022, none of the Pre-IPO Share Options have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 40,000 shares were lapsed. As at 31 December 2022, the Pre-IPO Share Options to subscribe for 6,408,000 shares remained outstanding.

Our Company has actually granted options to subscribe for an aggregate of 31,755,400 shares (the "**Post-IPO Share Options**") pursuant to the Post-IPO share option scheme. During the twelve-month period ended 31 December 2022, 120,000 shares of the Post-IPO Share Options have been exercised and 30,000 share of the Post-IPO Share Options were lapsed. As at 31 December 2022, the Post-IPO Share Options to subscribe for 31,455,400 shares remained outstanding.

Pursuant to the terms and conditions of the convertible bond, the convertible bond matured on 31 January 2023. A principal amount of HK$49,000,000 together with all accrued and unpaid interests remains payable by the Company to Chance Talent Management. The Company repaid an aggregate principal amount of HK$5,000,000, together with all interests and fees to the Purchaser and the terms and conditions of the Convertible Bonds were further amended on 10 June 2022 by the Third Supplemental Deed of Amendment.

The Convertible Bonds in an aggregate principal amount of HK$10,000,000 were converted into shares of the Company on 18 January 2022 and 14 June 2022. As a result of the conversion, the Company allotted and issued a total of 9,174,312 conversion shares to the Purchaser, representing approximately 1.66% of the total number of issued shares of the Company as enlarged by the allotment and issuance of the conversion shares. After conversion and redemption, the aggregate outstanding principal amount of the Convertible Bonds was reduced to HK$49,000,000.

For details of the convertible bond, please refer to the section headed "EVENTS AFTER THE REPORTING PERIOD" in this annual report and the announcements of the Company dated 25 January 2018, 1 February 2018, 27 December 2018, 31 December 2018, 11 January 2019, 13 November 2020, 28 January 2021, 29 January 2021, 24 September 2021, 24 November 2021, 18 January 2022, 28 January 2022, 16 May 2022, 10 June 2022 and 14 June 2022.

Save as disclosed above, during the twelve-month period ended 31 December 2022, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under our Company's Articles of Association or the laws of Cayman Islands which oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

Our Group's customer base is diversified. The relationship between our Group and our customers has been stable. For the year ended 31 December 2022, our Group's five largest customers accounted for 74.30% (2021: 23.18%) of our Group's revenue and our single largest customer accounted for 42.27% (2021: 15.82%) of our Group's revenue. Our Group did not have regular or significant suppliers in view of its business nature.

None of the Directors or any of their close associates or any Shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares, had any interest in our Group's five largest suppliers and customers.

PUBLIC FLOAT

Based on the information that is publicly available to our Company and within the knowledge of the directors, as at the date of this annual report, our Company maintains sufficient public float under the Listing Rules.

NON-COMPETITION UNDERTAKING

Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan, Expert Depot Limited, Bliss Success Investments Limited and Novel Heritage Limited, each a controlling shareholder (as defined under the Listing Rules), entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of our Company on 18 October 2013 pursuant to which they have undertaken to our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (other than any member of our Group) would not, directly or indirectly, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the current businesses of our Group during the restricted period.

An annual confirmation has been received from each of the above mentioned controlling shareholders on compliance with each of their respective undertaking under the Deed of Non-competition.

The independent non-executive directors have reviewed the compliance with the Deed of Non-competition by the above mentioned controlling shareholders and confirmed that the Deed of Non-competition is fully complied with and duly enforced in the year ended 31 December 2022.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibilities, promoting the development of employees and deepening care for employees, protecting the environment and giving back to society, and practicing the concept of sustainable development.

The Group strictly abides by the laws and regulations related to environmental protection promulgated by the state and local governments, such as the Environmental Protection Law and the Energy Conservation Law of the PRC. It efficiently makes use of fuel, water and other natural resources. As the pig breeding business of the Group belongs to resources-intensive industry, its impact on the environment and natural resources will be intensified as the business being fully carried out. Having come into the knowledge that low-carbon transformation will be a process of continuous improvement, the Group will spared no efforts in conducting management and monitoring of the data collected during the course of operations. During the reporting period, we identified the risks and opportunities arising from climate change, set out carbon reduction goal and formulated relevant action plan for energy saving and emission reduction. We will continue to increase the use of renewable energies and strictly control waste discharge, striking a balance between promoting the development of enterprises and carrying out low-carbon and environmentally-friendly operations by adhering to the concepts of "green, scientific and environmental protection".

There was no non-compliance case noted in relation to environmental laws and regulations for the year ended 31 December 2022.

The Group has established an environmental, social and governance group, which is responsible for regularly assessing the impact posted by business operations on the environment and report to the senior managements. The senior managements of our Group regularly assess the environmental performance of our business and analyze relevant risks. The Board of the Group regularly studies the potential impact of environmental risks on the Group adopt preventive measures as necessary to reduce the risks and ensure compliance of the relevant laws and regulations.

For further details of environmental, social and governance policies and performance of the Group, please refer to the Environmental, Social and Governance Report for the year ended 31 December 2022, which will be published on the websites of the Stock Exchange and the Company on or before 26 April 2023.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2022, the Company had complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company such as the "the Regulations on the Supervision and Administration of Financing Guarantee Companies" (《融資擔保公司監督管理條例》),"Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》), the "Interim Measures for the Administration of Internet Loans issued by Commercial Banks" (《商業銀行互聯網貸款管理暫行辦法》), the "Civil Code of the People's Republic of China" (《中華人民共和國民法典》) and the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》).

The Group and its activities are subject to requirements under an array of laws, including the Civil Code of the People's Republic of China, the Company Law of the People's Republic of China, the Partnership Enterprise Law of the People's Republic of China, the Wholly Foreign-owned Enterprise Law of the People's Republic of China, the Sino-foreign Equity Joint Venture Law of the People's Republic of China, the Regulations on the Supervision and Administration of Financing Guarantee Companies, Provisional Measures for the Supervision and Administration of Financial Leasing Companies, the Interim Measures for Supervision and Administration of Private Investment Funds, the Administration Measures for Micro-credit Companies of Guangdong Province, the Labour Law of the People's Republic of China, the Law of the PRC on the Prevention of Environmental Pollution Caused by Solid Waste, the Law of the PRC on Animal Pandemic Prevention as well as other applicable regulations, guidelines and policies issued or promulgated pursuant to these laws and regulations. In addition, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Securities and Futures Ordinance, the Companies Ordinance and the Employment Ordinance are also applicable to the Group. The Group ensures compliance with such requirements by taking various measures such as establishing internal control and approval procedures at all levels, improving the training mechanism and conducting post-event random inspections. The Group attaches great importance to the compliance of its businesses and operations, despite the fact that such measures will incur additional operating costs.

RELATIONSHIP WITH KEY STAKEHOLDERS

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.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holdings of the shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

EVENTS AFTER THE REPORTING PERIOD

Convertible Bonds

The Company entered into Subscription Agreement and subsequent amendments with the Purchaser, pursuant to which the Company has conditionally agreed to issue, and the Purchaser has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK$154,000,000.

As of the date of this annual report, the aggregate outstanding principal amount of the Convertible Bonds is HK$40,000,000 and the Convertible Bonds has matured on 31 January 2023.

Upon maturity of the Convertible Bonds, the Company is required to redeem the outstanding Convertible Bonds and settle the outstanding principal amount together with interests and fees payable to the Purchaser. The Company has been in discussion with the Purchaser regarding the development of the Convertible Bonds and to further amend its terms and conditions. The Company has received confirmation from the Purchaser that they have no intention to take any action with regards to the Convertible Bonds until discussions on the amended terms and conditions is completed.

Termination of Acting in Concert Confirmation and Change in Controlling Shareholders

Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian entered in to an acting in concert confirmation on 31 May 2015, pursuant to which they confirmed that: 1. they had been acting in concert, in exercising and implementing the management and operation of the Group with each other; 2. they operated the Group collectively and, through discussions, reached consensus among themselves before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis; 3. they were given sufficient information and time to consider and discuss the issues of the Group before making any decision; and 4. they would maintain the acting-in-concert until any one of them notifies the termination. As a result of the acting in concert confirmation, Mr. Zhang, Mr. Xu, Mr. Pang and Mr. Chen were considered as a group of shareholders of the Company acting in concert.

On 17 February 2023, Mr. Chen notified the termination of acting in concert and he is no longer among the group of shareholders of the Company acting in concert. Mr. Zhang, Mr. Xu and Mr. Pang confirmed that they remain as a group of shareholders acting in concert.

Mr. Zhang, Mr. Xu, Mr. Pang and their respective corporate vehicles, being parties to the deed of non-competition dated 18 October 2013 and entered into by them in favour of the Company, will continue to bound them upon termination of acting in concert in relation to Mr. Chen.

Change in Controlling Shareholders

After termination of acting in concert, Mr. Chen will no longer be among the group of shareholders of the Company acting in concert.

Pursuant to a confirmation made on 17 February 2023 between Mr. Zhang, Mr. Xu and Mr. Pang, they confirmed the acting in concert arrangement between them. After the termination of Mr. Chen's acting in concert, Mr. Zhang, Mr. Xu and Mr. Pang will continue to be a group of shareholders of the Company acting in concert under the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong.

After termination of Mr. Chen's acting in concert, as at the date of this annual report, Mr. Zhang continues to be interested in (personally and through his corporate vehicle) 123,128,000 shares, Mr. Xu continues to be interested in (through his corporate vehicle) 72,218,000 shares and Mr. Pang continues to be interested in (through his corporate vehicle) 60,876,000 shares, representing approximately 22.29%, 13.08% and 11.02% of the total issued shares of the Company with voting rights at the general meeting of the Company, respectively.

As a result, Mr. Zhang, Mr. Xu, Mr. Pang, Expert Depot, Bliss Success and Novel Heritage will together be entitled to exercise or control the exercise of an aggregate of 256,222,000 Shares, representing approximately 46.39% of the issued share capital of the Company. As Mr. Zhang, Mr. Xu, Mr. Pang, Expert Depot, Bliss Success and Novel Heritage are entitled to exercise more than 30% of the voting rights at the general meeting of the Company, they together are considered as the controlling shareholders of the Company as defined under the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2022, save as set out in note 34 to the financial statements and elsewhere in this report, the Company had not entered into any connected transaction or continuing connected transaction which is required to be disclosed under the Chapter 14 and 14A of the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by our Company are set out in the Corporate Governance Report on pages 55 to 72 on this annual report.

SOCIAL ENTERPRISE

While serving the local economic development and supporting micro, small and medium sized enterprises, the Group was also actively participated in charitable activities to fulfil social responsibilities, thereby establishing a good social image. Every year, Success Charity Foundation (集成愛心基金), which was voluntarily initiated by shareholders and employees of the Group, gives help and support to employees in need. It provides timely support and assistance to families of employees who suffer from serious illnesses or accidental injuries, and goes through difficult times with the employees and their families. In respect of poverty alleviation, the Group continues to actively promote its spirit of "Great Cause of Success, Serving the society" and has gone to Qiandongnan Prefecture, Guizhou Province to carry out cooperation and pair-up activities between east and west regions under the leadership of Foshan Industry & Commerce Federation. The Group has also dispatched employee representatives to conduct on-site inspections and discussions, so as to expand the interconnection network between the east and the west regions, promote industrial development, and make contribution to the rural revitalization and targeted poverty alleviation. During the year, the Group donated a total of RMB30,000 to the whole society. In addition, Mr. Zhang Tiewei, the Chairman and Executive Director of the Group, has been teaching as an off-campus tutor of the master's degree of finance of Guangdong University of Finance and Economics to nurture brilliant students in joint efforts with higher institutions, assist students in developing the habit and thinking which integrate both theories and practices in learning, encourage students to tap into professional knowledge, train up their leadership skills and foster innovation and high moral standards. Furthermore, Mr. Zhang Tiewei also served as a supervising member of the Narcotics Association of Chancheng District in Foshan, contributed to drug prohibition efforts of Foshan by participating in anti-drug promotional events that enhanced the level of public knowledge on drugs.

AUDITORS

KPMG, the auditors of our Company, will retire at the conclusion of the forthcoming annual general meeting of our Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 25 May 2023 to seek shareholders' approval on the appointment of KPMG as our Company's auditors until the conclusion of the next annual general meeting and to authorise our Board to fix their remuneration.

By order of our Board

Zhang Tiewei
Chairman and Executive Director

Foshan City, Guangdong Province, the PRC
30 March 2023

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the shareholders. Our Board is responsible for, amongst other things, the development and review of the policies and practices on corporate governance of our Group and monitoring the compliance with legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of directors and senior management, and reviewing the corporate governance compliance with the Code Provisions and disclosure in the annual report. Our Company has adopted and complied with the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules for the year ended 31 December 2022. The corporate governance principles of our Company emphasise a quality board, sound internal controls, and transparency and accountability to all shareholders. This corporate governance report has been reviewed by our Board in discharge of its corporate governance function.

Our Directors will review our Company's corporate governance policies and compliance with the Code Provisions from time to time.

VALUE, STRATEGY AND CULTURE

The Board strives to foster corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

Integrity and code of conduct

The Group endeavors to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee manual, the anti-corruption policy and the whistleblowing policy of the Group. The said policies had been available and sent to all staff for their reference. Regular updates and training are provided to reinforce the standard.

Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is important to nurture commitment with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

THE BOARD

Our Board, led by the Chairman of our Company, is responsible for leadership and control of our Company and overseeing our Group's businesses, strategic decisions and performance. The Board has delegated to the senior management of the Company the authority and responsibility for the execution of the Group's strategies and the day-to-day management and operation of the Group. In addition, our Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. Any Director may, in furtherance of their duties, take independent professional advice, where necessary, at the expense of the Company.

Our Board reserves its decision for all major matters of our Company, including: approving and monitoring all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters. Decisions relating to such matters shall be subject to formal decisions of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to management under the oversight of the Board.

Daily management and administration functions are delegated to the management. Our Board delegates various responsibilities to the senior management of our Company. These responsibilities include implementing decisions of our Board, directing and coordinating day-to-day operation and management of our Company in accordance with the management strategies and plans approved by our Board, formulating and monitoring the operation and production plans and budgets, and supervising and monitoring the control systems.

In the year ended 31 December 2022, our Board held 4 formal meetings. Attendance of individual directors at our Board meetings and our general meeting for the year ended 31 December 2022 is as follows:

Name of Director	Attendance/ Number of board meeting held	Attendance by alternate director/ Number of board meeting held	Attendance/ Number of general meeting held	Attendance by alternate director/ Number of general meeting held
Executive Directors:				
Mr. ZHANG Tiewei *(Chairman)*	4/4	–	1/1	–
Mr. LI Bin *(Chief Executive Officer)*	4/4	–	1/1	–
Ms. DAI Jing	4/4	–	1/1	–
Mr. XU Kaiying	3/4	1/4	1/1	–
Mr. PANG Haoquan	3/4	–	1/1	–
Independent Non-Executive Directors:				
Mr. TSANG Hung Kei	4/4	–	1/1	–
Mr. AU Tien Chee Arthur	4/4	–	1/1	–
Mr. XU Yan	3/3	–	1/1	–
Mr. ZHOU Xiaojiang	4/4	–	1/1	–

Note: Mr. Xu Yan retired as an independent non-executive director of the Company on 12 November 2022.

In the year ended 31 December 2022, apart from the meetings of our Board, consent/approval from our Board was also obtained by written resolutions on a number of matters.

Chairman and executive directors

The Chairman and executive director, Mr. Zhang Tiewei, provides leadership for our Board and ensures that our Board works effectively and all important issues are discussed in a timely manner. Mr. Li Bin, the Chief Executive Officer ("**CEO**"), takes the lead in our Group's operations and business development. The positions of the Chairman and the CEO are held by separate individuals to maintain an effective segregation of duties.

Board composition

Currently, our Board comprises eight directors, including five executive directors and three independent non-executive directors. Mr. Xu Yan retired as independent non-executive director on 12 November 2022. The current composition of our Board is as follows:

Name of Director	Membership of board committee(s)
Executive Directors:	
Mr. ZHANG Tiewei *(Chairman)*	Chairman of nomination committee Member of remuneration committee
Mr. LI Bin *(Chief Executive Officer)*	
Ms. DAI Jing	
Mr. XU Kaiying	
Mr. PANG Haoquan	
Independent Non-Executive Directors:	
Mr. TSANG Hung Kei	Chairman of audit committee Member of nomination committee Member of remuneration committee
Mr. AU Tien Chee Arthur	Member of audit committee
Mr. ZHOU Xiaojiang	Chairman of remuneration committee Member of nomination committee Member of audit committee

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. In addition, pursuant to Rules 3.10A and 3.10(2) of the Listing Rules, every listed issuer is required to have such number of independent non-executive directors representing at least one-third of the board and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. Tsang Hung Kei is admitted as a fellow member of the Association of Chartered Certified Accountants, a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales.

Our Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. To the best of the knowledge of our Company, having made all reasonable enquiries, none of the independent non-executive directors failed to meet any of the independence guidelines set out in Rule 3.13 of the Listing Rules. Our Board has assessed the independence of all the independent non-executive directors and considered that all the independent non-executive directors are independent.

The biographies of our directors are set out on pages 73 to 77 of this annual report. Save as disclosed in the biographies of the directors, our Board members do not have any family, financial or business relationship with each other. The list of directors has been published on the website of our Company and the website of the Stock Exchange, and is disclosed in all corporate communications issued by our Company pursuant to the Listing Rules from time to time.

Appointment, re-election and removal of directors

Each of the executive directors has entered into a service contract with our Company, and each of the non-executive directors and independent non-executive directors has signed a letter of appointment with our Company. Except for (i) Ms. Dai Jing, whose service agreement commenced on 18 May 2021;(ii)Mr. Xu Kaiying and Mr. Zhou Xiaojiang, whose service agreement commenced on 4 July 2022; and(iii)Mr. Pang Haoquan, whose service agreement commenced on 6 January 2020, the terms of other directors' service contracts are for an initial term of three years commencing on 13 November 2022 and is subject to the re-appointment of each of our directors by our Company at an annual general meeting upon retirement by rotation.

The Articles of Association provide that any director appointed by our Board (i) to fill a casual vacancy in our Board shall hold office only until the next following general meeting of our Company and shall be subject to re-election at such meeting; and (ii) as an addition to our Board shall hold office until the next annual general meeting of our Company and shall then be eligible for re-election.

In addition, every director should be subject to retirement by rotation at least once every three years. At every annual general meeting, one-third of our directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation according to Article 108(a) of the Articles of Association.

Non-executive directors

Pursuant to the letters of appointment of our non-executive directors (including our independent non-executive directors), the term of appointment of each of such directors is three years commencing on 13 November 2022, or 4 July 2022 in the case of Mr. Zhou Xiaojiang, which may be terminated by either party by giving one month's written notice.

Board Independence

The Company recognises that Board independence is crucial in good corporate governance and effectiveness of the Board. The Board has established mechanisms to ensure independent views and input from any Director of the Company are delivered to the Board for building an objective and effective decision.

The following mechanism is reviewed annually by the Board, in order to ensure the effectiveness:

1. Three out of the eight Directors are independent non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.

2. The Nomination and Remuneration Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive director before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. The Nomination and Remuneration Committee will conduct the performance evaluation of the independent non-executive Directors annually to assess their contributions.

4. External independent professional advice is available as and when required by individual Directors.

5. No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

6. A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

7. The Chairman of the Board meets with independent non-executive Director annually without the presence of the executive Directors and non-executive Directors.

Directors' securities transactions

Our Company has adopted the standard set out in the Model Code, in relation to the dealings in securities of our Company by our directors. Having made specific enquiry of all directors, each director has confirmed that he/she has complied with the standard set out in the Model Code since 1 January 2022 (or on the date of his/her appointment) and up to the date of this annual report.

BOARD DIVERSITY

Our Company adopted a board diversity policy (the "**Board Diversity Policy**") on 15 March 2019. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below:

Vision of our Board Diversity Policy

The Company acknowledge its Board of Directors should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor. The Company believes that board diversity enhances decision-making capability and a diverse board is more effective in dealing with organizational changes and less likely to suffer from group thinking. Board diversity is recognised as an essential element contributing to the sustainable development of the Company by enabling it to attract, retain and motivate employees from the widest possible pool of available talent.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Progress in achieving gender diversity

The Company has appointed a female director to the Board and has achieved the level of gender diversity at the Board level as required by the Listing Rules.

Implementing and monitoring

The nomination committee is responsible for (i) identifying suitably qualified candidates to become members of our Board; (ii) reviewing the Board Diversity Policy on an annual basis to ensure its effectiveness; and (iii) discussing any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The nominating committee takes into account the objective of gender diversity in selecting potential directors' successors. The Board has considered the recommendation of the Nomination Committee and reviewed the implementation and effectiveness of the Board Diversity Policy for the year under review.

Employee diversity

Among all employees of the Group, male employees account for 47.44% and female employees account for 52.56%. The Group believes that the gender ratio of employees is within the reasonable range.

CONTINUING PROFESSIONAL DEVELOPMENT

Our Company is responsible for arranging and funding suitable training for our directors relating to the roles, functions and duties of a listed company director. Our Company Secretary from time to time updates and provides training to our directors, and organises seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities. Our directors participated in courses relating to the roles, functions and duties of a listed company directors by training. Our directors may request our Company, pursuant to the policy for directors to seek independent professional advice, to provide independent professional advice at the expense of our Company to discharge their duties to our Company.

BOARD COMMITTEES

Nomination Committee

The nomination committee of our Company was established on 18 October 2013 and adopted written terms of reference on 18 October 2013 and amended on 15 March 2019 in compliance with the Listing Rules. The duties of our nomination committee include (but without limitation) (a) to review the structure, size, composition and diversity (including the skills, knowledge, gender, age, cultural and educational background or professional experience of the Directors and the time devoted by the Directors in fulfilling their responsibilities) of the Board at least annually; (b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship; (c) to assess the independence of our independent non-executive directors; (d) to make recommendations to our Board on matters such as Board structure, the roles, responsibilities, capabilities, skills, knowledge and experience required from members of the Board, selection and the re-selection of the Directors etc., and (e) to review the Board Diversity Policy adopted by the Board on a regular basis.

Current members of the nomination committee are Mr. Tsang Hung Kei and Mr. Zhou Xiaojiang, both of whom are independent non-executive directors, and Mr. Zhang Tiewei, the Chairman of the Board and an executive director. Mr. Zhang Tiewei is the chairman of the nomination committee.

The Company continuously seeks to enhance the effectiveness of the Board and to maintain a high standard of corporate governance and recognises and embraces the benefits of diversity in the composition of the Board.

After considering the characteristics of the Group's business model and other relevant factors, such as skills, knowledge, gender or age, the nomination committee considered that the current composition of the Board reflects the balance of skills, educational background, experience and diversity of perspectives desirable for effective management of the Company. The nomination committee will continue to review the diversity policy of the Board from time to time to ensure its continued effectiveness and to identify qualified candidates on a merit basis and candidates will be considered against objective criteria, with due regard to the benefits of diversity on the Board.

For the year ended 31 December 2022, the nomination committee held 1 meeting. Attendance of individual members of the nomination committee for the year ended 31 December 2022 is as follows:

Name of Director	Attendance/Number of meetings held
Mr. Zhang Tiewei	1/1
Mr. Tsang Hung Kei	1/1
Mr. Xu Yan	1/1
Mr. Zhou Xiaojiang	0/0

Note:

1. The meetings were attended by the Directors themselves, not an alternate.

2. Mr. Zhou Xiaojiang was appointed as a member of the nomination committee on 11 November 2022. Mr. Xu Yan retired as a member of the nomination committee on 12 November 2022.

The terms of reference of the nomination committee are available on the website of our Company and the website of the Stock Exchange.

The work performed by the nomination committee during the year ended 31 December 2022 is summarised as follows:

1. reviewed structure, size and diversity of the Board;

2. reviewed the independence of the independent non-executive directors; and

3. made recommendations to the Board on the appointment and redesignation of directors and the nomination of directors for re-election at the annual general meeting.

Remuneration Committee

The remuneration committee of our Company was established on 18 October 2013 with written terms of reference in compliance with the Listing Rules. The duties of our remuneration committee include (but without limitation) (a) making recommendations to our Board on our policy and structure for all remuneration of our directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (b) determining the specific remuneration packages of all our executive directors and senior management, including benefits in kind, pension rights and compensation payments; (c) making recommendations to our Board of the remuneration of our directors; and (d) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time. The existing members of the remuneration committee include Mr. Zhang Tiewei, Mr. Zhou Xiaojiang and Mr. Tsang Hung Kei. Both Mr. Zhou Xiaojiang and Mr. Tsang Hung Kei are independent non-executive directors and Mr. Zhang Tiewei is an executive director. Mr. Zhou Xiaojiang is the chairman of the remuneration committee.

For the year ended 31 December 2022, the remuneration committee held 2 meetings. Attendance of individual members of the remuneration committee for the year ended 31 December 2022 is as follows:

Name of Director	Attendance/Number of meetings held
Mr. Xu Yan	2/2
Mr. Zhang Tiewei	2/2
Mr. Tsang Hung Kei	2/2
Mr. Zhou Xiaojiang	0/0

Note:

1. The meetings were attended by the Directors themselves, not an alternate.

2. Mr. Zhou Xiaojiang was appointed as the chairman of the remuneration committee on 11 November 2022. Mr. Xu Yan retired as the chairman of the remuneration committee on 12 November 2022.

The terms of reference of the remuneration committee are available on the website of our Company and the website of the Stock Exchange.

The work performed by the remuneration committee during the year ended 31 December 2022 is summarised as follows:

1. made recommendations to the Board on the remuneration packages and policy of directors, senior management and employees; and

2. evaluated the performance of all directors and senior management.

Remuneration of senior management

The remuneration of the members of the senior management of the Company by band for the year ended 31 December 2022 is set out below:

Remuneration Bands	Number of Individuals
Nil to HK$2,000,000	3

Further particulars regarding Directors' remuneration and the five highest paid employees are set out in notes 7 and 8 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members of the Company was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members of the Company.

Audit committee

The audit committee of our Company was established on 18 October 2013 and adopted written terms of reference on 18 October 2013 and amended on 31 December 2015 and 15 March 2019 in compliance with the Listing Rules. The duties of our audit committee include (but without limitation) (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor; (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services; (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and (e) to review the Company's financial controls, the Company's internal control and risk management systems.

The existing members of the audit committee include Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Zhou Xiaojiang, all of whom are independent non-executive directors. Mr. Tsang Hung Kei is the chairman of the audit committee.

The Audit Committee has reviewed this annual report and the consolidated financial statements of our Company for the year ended 31 December 2022. The Audit Committee is of the view that the consolidated financial statements of our Company for the year ended 31 December 2022 have been prepared in accordance with the applicable accounting standards, the Listing Rules and statutory provisions, and sufficient disclosures have already been made.

For the year ended 31 December 2022, the audit committee held 2 meetings. Attendance of individual members of the audit committee for the year ended 31 December 2022 is as follows:

Name of Director	Attendance/Number of meetings held
Mr. Tsang Hung Kei	2/2
Mr. Au Tien Chee Arthur	2/2
Mr. Xu Yan	2/2
Mr. Zhou Xiaojiang	0/0

Note:

1. The meetings were attended by the Directors themselves, not an alternate.

2. Mr. Zhou Xiaojiang was appointed as a member of the audit committee on 11 November 2022. Mr. Xu Yan retired as a member of the audit committee on 12 November 2022.

The terms of reference of the audit committee are available on the website of our Company and the website of the Stock Exchange.

The work performed by the audit committee during the year ended 31 December 2022 is summarised below:

1. reviewed the Group's annual and interim results statements and the related result announcements, documents and other matters or issues raised by external auditors;

2. reviewed the findings from external auditors;

3. reviewed the independence of the external auditors and engagement of external auditors for annual audit;

4. reviewed the audit plans, internal control plan, the development in accounting standards and its effects on the Group, financial reporting matters and risk management;

5. reviewed the adequacy of resources, qualifications, experience of staff of the Group's accounting and financial reporting function;

6. approved the current year external audit plan, reviewed and monitored internal control performance as well as the effectiveness of the internal control system; and

7. reviewed the corporate governance compliance.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

Financial results of our Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

All directors acknowledge their responsibility for preparing the financial statements of our Group for the year ended 31 December 2022. Currently, our Company's external auditors are KPMG (the "**Auditors**").

During the year ended 31 December 2022, the fees paid or payable to KPMG comprise service charges for the following:

	2022 RMB'000	2021 RMB'000
Statutory audit	**2,820**	2,820
Review of interim results	**1,480**	1,480
Others	**0**	0

The statement of the Auditors about their reporting responsibilities on the financial statements of our Group is set out in the Independent Auditor's Report on pages 78 to 88 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our Board recognises that sound and effective risk management and internal control systems are important to safeguard our shareholders' investment and our Company's assets, and recognises that its responsibility to ensure that our Company maintains a sound and effective risk management and internal control system. Our Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks.

For the year ended 31 December 2022, review of our Group's internal controls covered major financial, operational and compliance controls, as well as risk management functions. The internal control review of the Group was conducted semiannually. The controls that were built into the risk management system are intended to manage significant risks in our Group's business environment.

Our Group's risk management framework includes the following elements:

- identify significant risks (including environmental, social and governance risks as well as climate risks) in our Group's operation environment and evaluate the impacts of those risks on our Group's business;

- develop necessary measures to manage those risks; and

- monitor and review the effectiveness of such measures.

The implementation of risk management framework of our Group was assisted by our Group's risk management department, so that our Group could ensure new and emerging risks relevant to our Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. The Company has established internal audit function for risk management through the Internal Control and Compliance Management Department and the Risk Management Department. The internal auditors audit the effectiveness of the Company's risk management and internal monitoring system and evaluate whether the Company's risk management mechanism is implemented effectively and efficiently. The scope, work and findings of the internal audit carried out are reported to the Audit Committee of the Company. These are on-going processes and our Audit Committee reviews periodically our Group's risk management systems. Our Audit committee reported to our Board the implementation of our Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level our Group could take and effectiveness of risk management measures.

Based on the reports from our Group's risk management department and our Audit Committee, our Board considers that our Group's risk management and internal control system is adequate and effective and our Group has complied with the provisions on risk management and internal controls as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. However, the Company's risk management and internal monitoring framework can only manage rather than completely eliminate risks that may affect the Company's ability to accomplish its business objectives. Therefore, the board can provide a reasonable but not an absolute assurance for the avoidance of material misstatement or loss.

With a view to handling and disseminating inside information in compliance with the SFO, procedures, including notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of projects by code name, and dissemination of information to stated purpose and on a need-to-know basis, have been implemented by the Group to guard against possible mishandling of inside information within the Group.

COMPANY SECRETARY

The company secretary is Mr. Pang Chung Fai Benny ("**Company Secretary**"). Please refer to his biographical details set out on page 77 of this annual report. All Directors have access to our Company Secretary to ensure that board procedures and all applicable law, rules and regulations, are followed. During the year, our Company Secretary has taken no less than 15 hours relevant professional training as required under rule 3.29 of the Listing Rules.

EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

Our Board recognises the importance of maintaining a clear, timely and effective communication with our shareholders. Our Board also recognises that effective communication with our Company's investors is critical in establishing investor confidence and to attract new investors. Therefore, our Group is committed to maintaining a high degree of transparency to ensure our shareholders and the investors of our Company will receive accurate, clear, comprehensive and timely information of our Group through the publication of annual reports, interim reports, announcements and circulars. A summary of the Company's shareholders' communication policy is as follows:

The annual general meetings and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and provide an opportunity for the Shareholders to meet with and question the directors and management of the Company and for the Company to solicit and understand the views of shareholders and stakeholders. Chairmen of the Audit Committee, remuneration committee, nomination committee and any other committees (if any), or in the absence of the chairmen of such committees, another member of such committees or failing this the duly appointed delegates, are invited to attend and answer questions at the annual general meetings. The Company will inform the public all notices of general meetings and the relevant explanatory materials by placing the same on the Stock Exchange's website and the Company's website and by posting the same to the Shareholders as per their requests.

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend such meetings. Shareholders may deposit proxy forms according to the instruction as specified therein for general meetings of the Company to the share registrar. The forthcoming AGM of the Company will be held on 25 May 2023.

A dedicated investor relations section is available on the Company's corporate website (http://www.chinasuccessfinance.com/). Corporate information, news releases and other information on the Company's corporate website is updated on a regular basis. The Company will place on its corporate website all announcements, circulars, financial reports published pursuant to the Listing Rules as its official release of material information to the market as soon as reasonably practicable after such information is released to the Stock Exchange.

The Company's shareholder communication policy is subject to regular review by the Audit Committee of the Company and will be amended, as appropriate, in response to changes in internal structure, legislative, regulatory and market developments to reflect current best practice in communications with the Shareholders and the investment community.

The Board has reviewed the implementation and effectiveness of the communication policy with Shareholders including steps taken at general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Communication Policy with Shareholders has been properly implemented during the year under review and is effective.

Moreover, the Company's AGM encourages face-to-face communication with shareholders. Members of the Board and chairmen of various board committees will attend the forthcoming AGM of the Company to be held on 25 May 2023. The directors will answer questions on the performance of the Group raised by shareholders.

Anti-corruption and whistle blowing

The Group sets up a high business integrity and ethics in its corporate culture through communication with employees on the provisions of amongst other things, anti-corruption policy. Employees are encouraged to take part in the promotion of high ethical standards. The Company has also adopted whistle blowing policy and employees are encouraged to raise awareness of identification of possible improprieties, and to voice out without fear of reprisals. The Group provides clear guidance on the whistleblowing policy and procedures by defining the activities which constitute misconduct or malpractice, formulating the reporting procedures of allegation by the whistleblowers and the investigation procedures, and specifying the protection and support provided to the whistleblowers. Audit Committee has overall responsibility to ensure investigation procedures of suspect improprieties are properly conducted, and to protect the whistleblowers from being unfairly dismissed, victimised or punished.

SHAREHOLDERS' RIGHTS

1. Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or our Company Secretary for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If, within 21 days of such deposit, our Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

2. Procedures for raising enquiries

Shareholders may direct their queries about their shareholdings, share transfer, registration and payment of dividend to our Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited:

Address	:	17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Online Feedback Platform	:	https://www.computershare.com/hk/en/online_feedback
Tel	:	(852) 2862 8555
Fax	:	(852) 2865 0990/2529 6087

Shareholders may raise enquiries in respect of our Company at the following designated contact, correspondence address, email address and enquiry hotlines of our Company:

Attention	:	Mr. Li Bin
Address	:	604, 6th Floor Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Email	:	hkinfo@chinasuccessfinance.com
Tel	:	(852) 2180 7189

3. Procedures for putting forward proposals at Shareholders' Meetings

a) *Proposal for election of a person other than a director as a director:*

Pursuant to Article 113 of the Articles of Association, a shareholder who wishes to propose a person other than a retiring director for election to the office of director at any general meeting should lodge (1) notice in writing of the intention to propose that person for election as a director; and (ii) notice in writing by that person of his willingness to be elected, at either (a) our Company's Hong Kong office 604, 6/Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, or (b) the registration office of our Company in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The period for lodgment of the notices mentioned above will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to our Company may be given will be at least seven days.

b) ***Other proposals:***

If a Shareholder wishes to make other proposals (the "**Proposal(s)**") at a general meeting, he may lodge a written request, duly signed, at our Company's Hong Kong office 604, 6/Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The identity of the Shareholder and his/her request will be verified with our Company's Hong Kong share registrar and upon confirmation by the share registrar that the request is proper and in order, and is made by a Shareholder, our Board will in its sole discretion decide whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

i. Notice of not less than 21 days in writing if the Proposal requires approval in an annual general meeting of our Company.

ii. Notice of not less than 21 days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting of our Company.

iii. Notice of not less than 14 days in writing if the Proposal requires approval by way of an ordinary resolution in an extraordinary general meeting of our Company.

Constitutional documents

Pursuant to a special resolution of the shareholders passed on 18 October 2013, the Amended and Restated Memorandum and Articles of Association were adopted with effect from the Listing Date. The Amended and Restated Memorandum and Articles of Association of our Company are available on the website of the Stock Exchange. For the year ended 31 December 2022, there is no change in the Amended and Restated Memorandum and Articles of Association of our Company.

EXECUTIVE DIRECTORS

Mr. ZHANG Tiewei, aged 60, is one of the founders of our Group. He was appointed as our director on 16 January 2012 and redesignated as the Chairman of our Board and executive director on 18 October 2013. Mr. Zhang is responsible for our Group's strategic planning and overall business management.

Mr. Zhang has more than 25 years of experience in the financial industry in the PRC during which Mr. Zhang has been acting as (i) the director of Great Wall Futures Co., Ltd. from 1997 to September 2020 which engages in commodity futures brokerages and financial futures brokerages; (ii) the chairman of Foshan Chancheng Success Micro Credit Co., Ltd. ("**Success Credit**") since its establishment in 2009 which engages in the provision of small loans lending; (iii) the director of Guangdong Success Venture Capital Company Limited since 2008 which engages in venture capital; (iv) the Chairman of Success Investment Holdings Group Company Limited ("**Success Investment Holdings**") since its establishment in 2005 which engages in the investment in real estate, public utilities, medical and industrial project; (v) the director of Foshan Success Finance Group Company Limited ("**Foshan Success Finance**") which engages in the investment in the modern financial industry, investment in the financial services industry, capital management, asset management, etc; and (vi) the chairman of Xinjiang Jianashi Motorcycle Co., Ltd. (新疆嘉納仕摩托車有限公司) ("**Xinjiang Jianashi**"). Mr. Zhang accumulated business and financial experiences which are relevant to the business of our Group when acting as the director or chairman of the above named companies. Mr. Zhang has also been acting as the legal representative and chairman of Success Guarantee, a subsidiary of the Group, since its establishment in 1996. Mr. Zhang is also a director of each of Double Chance Developments Limited, China Success Capital Limited, China Success Finance Holdings Limited, Guangdong Success Asset Management Company Limited ("**Success Asset**"), Shenzhen Success Financial Leasing Company Limited ("**Success Financial Leasing**"), Shenzhen Qianhai Success Housing Wealth Management Company Limited ("**Qianhai Success Housing**") and Yangmianshan, all being subsidiaries of the Group.

Mr. Zhang is currently the vice chairman of the 15th executive committee of Foshan General Chamber of Commerce and the honorary president of the 5th General Chamber of Commerce of Chancheng District. Mr. Zhang was a member of the 10th, 11th and 12th Foshan Committee of the Chinese People's Political Consultative Conference, the standing committee member of the 11th executive committee of Guangdong Federation of Industry & Commerce and the chairman of the 1st council of Foshan Investment Chamber of Private Entrepreneurs. Mr. Zhang has been awarded as an Outstanding Corporate Manager in Guangdong Province in 2011 by the Guangdong Enterprises Confederation and the Guangdong Entrepreneurs Association. He was also granted the title of "Top 10 Influential Men in Economy of Guangdong" in 2013 and was granted the honorable title of "The Fifth Excellent Constructers of the Socialism Undertaking with Chinese Characteristics of the Players of Non-public Sectors of the Economy in Guangdong Province" in 2019. Mr. Zhang was conferred Doctorate in Business Administration by Singapore Management University in February 2020.

Mr. LI Bin, aged 50, was the executive director and the chief executive officer of our Group. Mr. Li joined our Group in 2006 as an assistant to the general manager and the manager of the post– guarantee management department of Success Guarantee, a subsidiary of the Group. He was promoted to general manager of Success Guarantee in 2009 and was appointed as the executive director and the chief executive officer of the Group on 18 October 2013. Mr. Li resigned as the chief executive officer of our Company with effect from 15 September 2014 in order to focus his time and effort on the development of the guarantee business of the Company and continue to serve as an executive director of our Company. Mr. Li was appointed as the chief operating officer of our Group on 31 August 2015 and is responsible for overseeing our Group's operations and internal management system. He was appointed as the vice chairman of Success Guarantee in 2016. He resigned from the chief operating officer of the Group and was appointed as the chief executive officer of the Group on 18 May 2018, and he will continue to serve as an executive director. Mr. Li is also the general manager of Success Financial Leasing as well as the director and general manager of Foshan Success Cloud Technology Company Limited, all being subsidiaries of the Group.

Prior to joining our Group, Mr. Li had worked at the Foshan branch of Bank of China from 1993 to 2005 and was responsible for sales and marketing activities in the bank and specialising in the provision of loans and credits which are relevant to the business of our Group. His last position in the bank was assistant manager of the sales department. Mr. Li obtained a master of business administration degree from Jinan University in Guangdong, the PRC in June 2007.

Ms. DAI Jing, aged 52, was the executive director and the chief operating officer of our Company, effective from 18 May 2018. Ms. Dai joined Success Investment Holdings in August 2006 as manager of the legal affairs department and was subsequently promoted to vice general manager of Success Guarantee, a subsidiary of the Group, in January 2007. She was promoted to senior vice general manager and general manager of Success Guarantee in January 2010 and April 2016, respectively. Ms. Dai is also the supervisor of Success Financial Leasing, a subsidiary of the Group. Prior to joining our Group, Ms. Dai worked at the Bank of China from 1993 to 2005 for handling credit approval, credit management and asset protection. Her last position with the Bank of China was deputy manager of the asset protection department. Ms. Dai also worked with the China Merchants Bank from 2005 to 2006 as a manager for handling bank management matters. Ms. Dai was admitted as a lawyer in the PRC in September 1995. Ms. Dai obtained a bachelor's degree in law from Wuhan University in Hubei, the PRC in July 1993.

Mr. XU Kaiying, aged 59, was appointed as our non-executive director on 18 October 2013 and re-designated as our executive director on 4 July 2016. Mr. Xu invested in our Group as a shareholder of Success Guarantee, a subsidiary of the Group, in February 2001. Mr. Xu is the general manager of Foshan Success Industry Investment Company Limited and a director of each of Success Investment Holdings, Foshan Finance and Xinjiang Jianashi (新疆嘉納仕). Mr. Xu is also is also a director of each of China Success Capital (HK) Limited ("**Success Capital (HK)**") and TM Management, a supervisor of Qianhai Success Housing and the vice chairman of Success Guarantee, all being subsidiaries of the Group.

Mr. Xu is a member of the 5th National People's Congress of Chancheng District, Foshan City and the Executive Chairman of the Foshan Chamber of Commerce for Private Enterprises Investors. And he was, a standing member of the 14th Executive Committee of the Foshan Federation of Industry and Commerce (Genaral Chamber of Commerce) and a member of the 10th, 11th and 12th Foshan Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Xu obtained a bachelor's degree in finance management from Beijing Economic and Technological College in July 2008. Mr. Xu has completed a post-EMBA degree at the Peking University.

Mr. PANG Haoquan, aged 58, was appointed as our non-executive director of the Group on 18 October 2013 and re-designated as our executive director on 6 January 2017. Mr. Pang invested in our Group as a shareholder of Success Guarantee, a subsidiary of the Group, in February 2001. Mr. Pang is a director of each of Success Investment Holdings, Foshan Finance and Xinjiang Jianashi (新疆嘉納仕) as well as the chairman of Guangdong Yinhe Motor Group Company Limited (廣東銀河摩托車集團有限公司). Mr. Pang is also a director of the Success Capital (HK) and the general manager of Qianhai Success Housing,all being subsidiaries of the Group. Mr. Pang obtained a diploma in automation from Guangzhou Open University in July 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSANG Hung Kei, aged 52, was appointed as our independent non-executive director on 18 October 2013. Mr. Tsang has more than 27 years of experience in financial management and reporting and corporate governance. He is a Fellow of the Association of Chartered Certified Accountants, a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales. He had years of working experience in an international accounting firm and is currently the chief financial officer of Pak Fah Yeow International Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Main Board**"), and an executive director of its major subsidiaries. He is also an independent non-executive director of Hua Yin International Holdings Limited, a company listed on the Main Board. Mr. Tsang holds a bachelor degree in computer science and accounting at the University of Manchester, United Kingdom.

Mr. AU Tien Chee Arthur, age 50, was appointed as our independent non-executive director on 18 October 2013. Mr. Au is a lawyer with over 20 years of legal and industry operations experience in corporate and private practice settings. He is currently the General Counsel of OrbuNeich Medical (6929.HK), an international medical device manufacturer headquartered in Hong Kong. Previously, he was the Global Legal Director for Strategic Projects and Operations at Byton, a global electric car manufacturer headquartered in Nanjing with international footprints in the U.S. and Germany. Mr. Au advised multinational companies in Hong Kong such as The Hong Kong Exchange, Sands Group, Hong Kong Shanghai Hotel Group, Accenture, and Hasbro in their respective legal departments. For over a decade in Silicon Valley, Mr. Au counseled technology companies such as Google and Apple while practicing law in the firms of Blakely, Sokoloff, Taylor & Zafman LLP and Morgan Lewis and held leadership positions in medical and technology companies as a lawyer and as an engineer. Mr. Au has a Bachelor of Science Degree in Biomedical and Electrical Engineering from Duke University, a Master of Science Degree in Biomedical Engineering from Case Western Reserve University, and a Juris Doctor Law Degree from Santa Clara University School of Law. He was admitted as a member of the State Bar of California and registered to practise with the US Patent and Trademark Office.

Mr. ZHOU Xiaojiang, aged 60, was appointed as the independent non-executive Director on 4 July 2016. Mr. Zhou is a director of Beijing Grandtopeak Quntong Investment Holding Group Co., Ltd. (北京國泰群同投資控股集團有限公司) (formerly known as Grandtopeak Land Consolidation Group Co,. Ltd. (國泰土地整理集團有限公司)) and has been the chairman and legal representative of Beijing Guotai Balance Land Layout and Design Co., Ltd. (北京國泰天平行土地規劃設計有限公司), the chairman and legal representative of Beijing Hongtai Entrepreneurial Land Consolidation Co., Ltd. (北京宏泰創業土地整理有限公司), the chairman and legal representative of Beijing Guotai Pilot Sailing Boat Investment Co., Ltd. (北京國泰領航帆艇投資有限公司), and the general manager and legal representative of Guotai Jinglu Investment Holdings Co., Ltd. (國泰京魯投資控股有限公司) since December 2007. Mr. Zhou was the chairman and legal representative of Beijing Zhong Di Land Consolidation Co., Ltd. (北京中地土地整理有限公司) and the chairman and legal representative of Beijing Guoxing Weiye Land Consolidation Co., Ltd. (北京國興偉業土地整理有限公司).

Mr. Zhou was the chairman and legal representative of Guoyu Economic Development Corporation (國宇經濟發展總公司) (formerly China Three Gorges Economic Development Corporation (中國三峽經濟發展總公司)) from December 2004 to May 2007. He was also the general manager and legal representative of Hualian Real Estate Development Company (中國華聯房地產開發公司)from March 2001 to May 2007. Mr. Zhou obtained a bachelor degree of science, majoring in urban planning, from Chongqing University (formerly known as Chongqing Construction Engineering College (重慶建築工程學院)) in August 1983 and an MBA from Murdoch University in Australia in 2001.

SENIOR MANAGEMENT

Our senior management consists of our executive directors and the following persons:

Name	Age	Position in our Group
Mr. LIANG Tao	40	Chief financial officer of our Group
Mr. ZHONG Zhiqiang	49	Risk control director of Success Guarantee
Mr. PANG Chung Fai Benny	50	Company Secretary

Mr. LIANG Tao, aged 40, was appointed as the chief financial officer of our Group on 18 October 2013 and is responsible for overseeing the financial matters of our Group. Mr. Liang is a director of TM Management (a subsidiary of the Group). Mr. Liang has over 13 years of experience in financial management. Mr. Liang joined our Group in December 2010 and was responsible for the initial public offering of the Company in 2013. Prior to joining our Group, Mr. Liang has experience on undertaking the listing of a mainland enterprise in NASDAQ. Mr. Liang has been with L & L Energy, Inc., a US public company, and United Group Rail (NZ) Limited, an Australian listed company, and has been responsible for financial matters of the two companies. He holds Bachelor of Business Studies of Massey University majoring in accounting.

Mr. ZHONG Zhiqiang, aged 49, is the director of Investment and Financing Committee and is responsible for the investment and financing management of the Group. He is also the risk control director of Success Guarantee, a subsidiary of the Group, and is responsible for overseeing the risk management department of Success Guarantee. Mr. Zhong joined our Group in October 2009. Prior to joining of our Group, Mr. Zhong worked at the Bank of China from 1991 to 2009 for handling foreign exchange settlement, provision of loans and credits and sales and personal financing. His last position with the bank was assistant manager of the personal financial department. Mr. Zhong obtained a bachelor's degree in economics majoring in finance from Jinan University in Guangdong, the PRC in January 2004.

COMPANY SECRETARY

Mr. PANG Chung Fai Benny, aged 50, was appointed as our Company Secretary on 18 October 2013. Mr. Pang is the sole proprietor of Benny Pang & Co., a firm of solicitors in Hong Kong; and a partner of C&T Legal LLP., a firm of solicitors in Hong Kong. Mr. Pang has been practising as a lawyer for over 20 years. Mr. Pang is currently an independent non-executive director of Yuanda China Holdings Limited, a company listed on the Main Board with stock code 2789.

Independent auditor's report to the shareholders of China Success Finance Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Success Finance Group Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 89 to 206, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Impairment of receivables and provisions of guarantee losses

Refer to notes 13, 14, 15 and 24 to the consolidated financial statements and the accounting policies on pages 105 and 113.

The Key Audit Matter	How the matter was addressed in our audit
The Group has applied Hong Kong Financial Reporting Standard No.9 - Financial Instruments ("HKFRS 9") since 1 January 2018 and developed a new expected credit loss model ("ECL model") for measuring impairment losses on financial assets and provisions for losses on financial guarantees issued by the Group. The determination of loss allowances using the ECL model is subject to a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of the loss allowances and provisions for guarantee losses is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The Group's expected credit losses and provisions for guarantee losses are derived from estimates including the Group's historical losses, internal and external credit grading and other adjustment factors.	Our audit procedures to assess the impairment of receivables and provisions for guarantee losses included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of receivables and financial guarantees issued, the identification of the three stages of ECL model and the measurement of impairment losses for receivables and provisions for financial guarantees issued; • assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of credit-impaired stage, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments.

Impairment of receivables and provisions of guarantee losses *(continued)*

Refer to notes 13, 14, 15 and 24 to the consolidated financial statements and the accounting policies on pages 105 and 113. (continued)

The Key Audit Matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the debtors, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints external valuers for the valuation of certain properties and other illiquid collateral, the enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of impairment losses and provisions for guarantee losses as at the end of the reporting period. We identified the impairment of receivables and provisions for guarantee losses as a key audit matter because of the inherent uncertainty and management judgment involved and because of their significance to the financial results and capital of the Group.	• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to receivables or guarantees agreements, we compared the total balance of the receivables grading report and guarantee list, which contain information used by management to assess impairment losses and provisions for guarantee losses with the general ledger, selecting samples and comparing individual receivables and guarantee information with the underlying receivables and guarantee agreements and other related documentation to assess the accuracy of compilation of the receivables grading report and of the guarantee list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources. • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral.

Impairment of receivables and provisions of guarantee losses *(continued)*

Refer to notes 13, 14, 15 and 24 to the consolidated financial statements and the accounting policies on pages 105 and 113. (continued)

The Key Audit Matter	How the matter was addressed in our audit
	As part of these procedures, we assessed management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development. • evaluating the validity of management's assessment on whether the credit risk of the receivables and guarantees have, or have not, increased significantly since initial recognition and whether the receivables and guarantees are credit-impaired by selecting samples in industries more vulnerable to the current economic situation. We checked the overdue information, making enquiries of the credit managers about the debtors' business operations, checking debtors' financial information and researching market information about debtors' businesses. • for receivables that are credit-impaired, on a sample basis, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties.

Impairment of receivables and provisions of guarantee losses *(continued)*

Refer to notes 13, 14, 15 and 24 to the consolidated financial statements and the accounting policies on pages 105 and 113. (continued)

The Key Audit Matter	How the matter was addressed in our audit
	We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms. • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model, on a sample basis, based on the above parameters and assumptions for receivables and guarantees where the credit risk of receivables and guarantees has not, or has, increased significantly since initial recognition, with the assistance of our internal specialists in financial risk management. • assessing the completeness and accuracy of outstanding financial guarantees by inspecting contracts, on a sample basis, and obtaining confirmations from the beneficiaries of all financial guarantees issued. • evaluating whether the disclosures on impairment of receivables and provisions for guarantee losses meet the disclosure requirements in Hong Kong Financial Reporting Standard No.7 -Financial Instruments: Disclosures ("HKFRS 7").

Assessing the fair value of Fair Value Through Profit or Loss ("FVTPL")

Refer to note 21 to the consolidated financial statements and the accounting policies on page 100 and 101.

The Key Audit Matter	How the matter was addressed in our audit
The Group's 3.5% interest in Foshan Shengshi Junen Enterprise Management Company Limited ("Shengshi Junen"), which is classified as FVTPL in the consolidated statement of financial position. Under the HKFRS 9, the initial measurement and subsequent measurement of FVTPL shall adopt fair value measurement and its changes shall be included in profit or loss. Management involved valuer to prepare estimates of these FVTPL by the asset-based approach which is mainly to separate the assets and liabilities of target company and evaluate the value respectively. A number of key assumptions and judgements were made by management in determining the inputs for the method which included: • The prospective earnings would provide a reasonable return to the Appraised asset, and that target company has adequate working capital to operate its business from time to time;	Our audit procedures to assess the fair value of FVTPL included the following: • getting access to the details of the contracts, inspecting the accuracy of classification of financial instruments; • discussing the purpose of equity investments with management, visiting "Shengshi Junen" project site. • collecting, checking the qualification and valuation reports of the valuer hired by the management; • engaging our valuation specialists to assist us in evaluating the assumptions and judgements adopted by management relating to inflation, terminal values and the discount rate used to form the fair value of FVTPL through the following procedures: • Conducting research on the assumptions and judgements relating to market rent, market sales and other parameters used in valuation method with information in market research; • performing an alternative calculation of the discount rate and comparing this calculation with the discount rate applied by management;

Assessing the fair value of Fair Value Through Profit or Loss *(continued)*

Refer to note 21 to the consolidated financial statements and the accounting policies on page 100 and 101.

The Key Audit Matter	How the matter was addressed in our audit
• The Appraised Asset has obtained relevant government's approvals for the sale of the Appraised Asset or the assets owned by target company and is able to dispose of and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market; and • The Appraised Asset can be freely disposed and transferred free of all encumbrances for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government. We identified assessing the fair value of FVTPL as a key audit matter because of its significance to the consolidated financial statements and there are significant judgements in classification of financial instruments under HKFRS 9.	• checking the qualification and independence, reviewing the working paper of the valuer involved by engagement team;

Valuation of biological assets

Refer to note 18 to the consolidated financial statements and the accounting policies on page 112.

The Key Audit Matter	How the matter was addressed in our audit
The Group had biological assets of RMB2,841,000 as at 31 December 2022. The fair value of the biological assets was valued using the replacement cost approach and the market comparable approach and assessed by an external valuer in accordance with recognised industry standards. Assessing the fair value of biological assets requires judgements and estimation from the management and the external valuer, particularly relating to the valuation methodologies and key assumptions adopted, including estimated market prices, replacement cost and annual feeding cost. We identified valuation of biological assets as a key audit matter due to its significance to the consolidated financial statement, and the estimation uncertainty resulting in determining the fair value.	Our audit procedures to assess the valuation on the biological assets included the following: • obtaining an understanding of and evaluating the design, implementation and operating effectiveness of the Group's key internal controls over the valuation of biological assets; • evaluating the external valuer's competence, objectivity and qualification; • assessing the appropriateness of the methodologies used in valuing the biological assets with reference to the prevailing accounting standards; • assessing the appropriateness of key assumptions, including recent market price, replacement cost and annual feeding cost, by comparing with market data and historical records; • observing the physical count of the Group's biological assets as well as performing our own counts, on a sample basis, and comparing the quantity of biological assets to that in the valuation model; and • Considering the reasonableness of the disclosure in the consolidated financial statements inspect of the valuation of biological asset with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors 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. This 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 HKSAs 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 HKSAs, 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 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 Wong Yuen Shan.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Guarantee income		**81,425**	212,266
Less: guarantee service fee		**(63,447)**	(137,608)
Net guarantee fee income		**17,978**	74,658
Sales of market hogs		**69,886**	27,898
Service fee from consulting services		**615**	60
Revenue	3	**88,479**	102,616
Other revenue	4	**14,493**	1,910
Cost of market hogs sold		**(66,572)**	(14,752)
Impairment and provision charged	5(a)	**(15,561)**	(32,755)
Operating expenses		**(78,472)**	(56,783)
Research and development costs		**(1,370)**	(1,647)
Interest expenses		**(22,635)**	(22,334)
Net changes in fair value on financial assets		**(3,624)**	(17,334)
Net changes in fair value of biological assets		**1,512**	(22,169)
Share of (losses)/gains of associates		**(421)**	164
Loss before taxation		**(84,171)**	(63,084)
Income tax	6(a)	**1,704**	(19,534)
Loss for the year		**(82,467)**	(82,618)
Attributable to:			
Equity shareholders of the Company		**(74,179)**	(71,178)
Non-controlling interests		**(8,288)**	(11,440)
Loss for the year		**(82,467)**	(82,618)
Loss per share (RMB per share)			
Basic	10	**(0.13)**	(0.13)
Diluted	10	**(0.13)**	(0.15)

The notes on pages 95 to 206 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 31(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

(Expressed in Renminbi)

	2022 RMB'000	2021 RMB'000
Loss for the year	**(82,467)**	(82,618)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	**(303)**	1,552
Total comprehensive loss for the year	**(82,770)**	(81,066)
Attributable to:		
Equity shareholders of the Company	**(74,482)**	(69,626)
Non-controlling interests	**(8,288)**	(11,440)
Total comprehensive loss for the year	**(82,770)**	(81,066)

The notes on pages 95 to 206 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2022

(Expressed in Renminbi)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Assets			
Cash and bank deposits	11	**158,351**	185,440
Pledged bank deposits	12	**74,610**	110,608
Trade and other receivables	13	**203,618**	252,355
Factoring receivable	14	**27,090**	36,021
Finance lease receivable	15	**20,470**	24,652
Interests in associates	17	**22,736**	25,646
Biological assets	18	**2,841**	26,737
Inventories	19	**1,908**	1,555
Property, plant and equipment	20	**191,714**	185,109
Financial assets measured at fair value through profit or loss (FVPL)	21	**6,964**	46,673
Deferred tax assets	22(c)	**29,245**	27,386
Goodwill	23	**–**	–
Total assets		**739,547**	922,182
Liabilities			
Liabilities from guarantees	24	**39,384**	123,533
Pledged deposits received	25	**119,979**	150,006
Interest-bearing borrowings	26	**133,980**	105,000
Liability component of convertible bonds	27	**44,226**	58,653
Accruals and other payables	28	**35,666**	44,912
Current tax	22(a)	**16,468**	16,473
Lease liabilities	29	**12,987**	14,129
Total liabilities		**402,690**	512,706
NET ASSETS		**336,857**	409,476

The notes on pages 95 to 206 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2022

(Expressed in Renminbi)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
CAPITAL AND RESERVES			
Share capital	31(c)	4,420	4,343
Reserves		352,619	417,027
Total equity attributable to equity shareholders of the Company		357,039	421,370
Non-controlling interests		(20,182)	(11,894)
TOTAL EQUITY		336,857	409,476

Approved and authorised for issue by the board of directors on 30 March 2023.

張鐵偉	李斌
Zhang Tiewei	**Li Bin**
Director	*Director*

The notes on pages 95 to 206 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									
		Share capital RMB'000 Note 31(c)	Share premium RMB'000 Note 31(d)	Capital reserve RMB'000 Note 31(e)	Surplus reserve RMB'000 Note 31(f)	Regulatory reserve RMB'000 Note 31(g)	Exchange rewserve RMB'000 Note 31(h)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2021 and 1 January 2022		4,343	460,183	316,187	56,997	30,988	15,751	(463,079)	421,370	(11,894)	409,476
Changes in equity for 2022											
Loss for the year		–	–	–	–	–	–	(74,179)	(74,179)	(8,288)	(82,467)
Exchange differences on translation of financial statements of operations outside the mainland China		–	–	–	–	–	(303)	–	(303)	–	(303)
Total comprehensive loss		–	–	–	–	–	(303)	(74,179)	(74,482)	(8,288)	(8,270)
Convertible bonds converted to share capital & exercise share option	31(c)	77	8,383	3,778	–	–	–	(3,778)	8,460	–	8,460
Shares issued under share option scheme	31(d)	–	–	1,691	–	–	–	–	1,691	–	1,691
Balance at 31 December 2022		4,420	468,566	321,656	56,997	30,988	15,448	(541,036)	357,039	(20,182)	336,857

	Note	Attributable to equity shareholders of the Company									
		Share capital RMB'000 Note 31(c)	Share premium RMB'000 Note 31(d)	Capital reserve RMB'000 Note 31(e)	Surplus reserve RMB'000 Note 31(f)	Regulatory reserve RMB'000 Note 31(g)	Exchange rewserve RMB'000 Note 31(h)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		4,266	453,048	322,952	56,997	30,988	14,199	(402,093)	480,357	(454)	479,903
Changes in equity for 2021											
Loss for the year		–	–	–	–	–	–	(71,178)	(71,178)	(11,440)	(82,618)
Exchange differences on translation of financial statements of operations outside the mainland China		–	–	–	–	–	1,552	–	1,552	–	1,552
Total comprehensive loss		–	–	–	–	–	1,552	(71,178)	(69,626)	(11,440)	(81,066)
Convertible bonds converted to share capital & exercise share option	31(c)	77	7,135	(10,192)	–	–	–	10,192	7,212	–	7,212
Shares issued under share option scheme	31(d)	–	–	3,427	–	–	–	–	3,427	–	3,427
Balance at 31 December 2021		4,343	460,183	316,187	56,997	30,988	15,751	(463,079)	421,370	(11,894)	409,476

The notes on pages 95 to 206 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations	11(b)	**(12,597)**	(86,624)
PRC income tax paid	22(a)	**(160)**	(1,904)
Net cash used in operating activities		**(12,757)**	(88,528)
Investing activities			
Proceeds from sales of equipment		**–**	1
Proceeds from investments in assiocate		**2,730**	–
Proceeds from sales of assiocate		**15,405**	–
Payments for purchase of equipment and constructions	20	**(26,086)**	(17,144)
Interest received		**4,192**	2,623
Net cash used in investing activities		**(3,759)**	(14,520)
Financing activities			
Interest paid	11(c)	**(3,743)**	(1,493)
Capital and Interest element of lease rentals paid	11(c)	**(1,916)**	(2,668)
Proceeds from bank loans		**64,980**	75,000
Repayment of convertible bonds		**(4,359)**	–
Payment on bank loans and loan interests		**(36,000)**	(24,728)
Net cash generated from financing activities		**18,962**	46,111
Net increase/(decrease) in cash and cash equivalents		**2,446**	(56,937)
Cash and cash equivalents at 1 January	11	**29,723**	86,582
Effect of foreign exchange rate changes		**(2,188)**	78
Cash and cash equivalents at 31 December	11	**29,981**	29,723

The notes on pages 95 to 206 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in debt and equity securities (see note 1(g));

– derivative financial instruments (see note 1(h)); and

– biological assets (see note1(m)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments do not have an impact on this interim financial report as the Group does not have contracts that are onerous.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (l)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see note 1(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates *(continued)*

If an investment in an associate becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(l)), unless classified as held for sale.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(d). These investments are subsequently accounted for as follows, depending on their classification.

(A) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(x)(i)).

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity securities *(continued)*

(B) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(x)(iv).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(iii)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k)).

Construction in progress is stated at cost less impairment losses (see note 1(l)(iii)). Cost comprises direct costs of construction expense capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment *(continued)*

Gains or losses arising from the retirement or disposal of an item of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life
Motor vehicles	4 - 5 years
Office and other equipment	3 - 5 years
Buildings	20 years
Leased land	5 - 28 years
Improvements	5 - 28 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	5 years

Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i) and 1(l)(iii)), except for the following types of right-of-use asset:

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with note 1(i); and

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee *(continued)*

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 1(g)(A), 1(x)(i) and 1(l)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables.

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates, which is held for the collection of contractual cash flows which represent solely payments of principal and interest); and

– lease receivables.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities and derivative financial assets measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between(i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and lease receivables. (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) ***Credit losses from financial instruments and lease receivables.*** *(continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) ***Credit losses from financial instruments and lease receivables.*** *(continued)*

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit - Impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and lease receivables. *(continued)*

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(x)(ii)).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Credit losses from financial guarantees issued (continued)

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets *(continued)*

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Biological assets

The biological assets of the Group are live hogs at various stages of development, including piglets, growing hogs and finishing hogs, which are classified as current assets. Biological assets also include gilts and sows, which are classified as non-current assets.

Biological assets are measured on initial recognition and at the end of each reporting period at their fair values less costs to sell.

Any resultant gain or loss arising on initial recognition and from changes in fair value less costs to sell is charged to the profit or loss for the period in which the gain or loss arises.

(n) Inventories

The inventories of the Group include fodders, medicines, and vaccines.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. Cost of inventories is calculated using the first-in-first-out method.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including an allowance for credit losses (see note 1(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitor that are held for meeting short-term cash commitments, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i).

(q) Other payables

Other payables are initially recognised at fair value. Subsequent to initial recognition, other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs. Borrowing costs are expensed in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Convertible bonds

Convertible bonds that contain an equity component

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of cash or other financial assets, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the capital reserve until the bonds are converted.

If the bonds are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, the Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits *(continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the share issued) or the option expires (when it is released directly to retained profits).

(iii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits *(continued)*

(iii) Defined benefit retirement plan obligations *(continued)*

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "distribution costs" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax *(continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group issues performance guarantee and litigation guarantee contracts, in which the Group agrees to provide guarantees to its customers who entered into contracts with third parties for services to be rendered, goods to be supplied or obligation to fulfil within an agreed time period. The Group is required to compensate the guarantee holder if a specified uncertain future event adversely results in the counterparties’ failure to delivery services and goods, or to fulfil the obligation.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Guarantees issued *(continued)*

Where the Group issues a guarantee, the fair value of the guarantee is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued. In addition, provisions are recognised in accordance with note 1(v) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(w) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services, the sales of market hogs or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over market hogs or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

(ii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see note 1(l)(ii)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(iii) Service fee from consulting services

The Group collects service fee by providing various consulting services to customers.

- If one of the following conditions is met, the Group will recognize the revenue according to the performance progress in the period:
  - the customer obtains the economic benefits through the Group's performance;
  - the customer is able to control the services performed by the Group in the performance process;
  - the services performed by the Group in the performance process have irreplaceable uses, and the Group has the right to collect the payment for the part of performance that has been completed.
- In other cases, the Group recognizes the revenue when the customer obtains the relevant service control right.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Sales of market hogs

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Revenue and other income *(continued)*

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi ("RMB") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(continued)*

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(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 group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

During the reporting period, the directors have determined that the Group has two business components/reportable segments as the Group starts to engaged in sales of market hogs from 2020 besides its principally in providing financing solutions to customers, which are the basises to allocate resources and assess performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

– Note 1(l): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

– Note 1(l): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

– Note 1(k): determining the lease term: the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

– Note 1(g): Non-equity investments held by the Group are classified into fair value through profit or loss (FVPL) in the consolidated statement of financial position. Under the HKFRS 9, the initial measurement and subsequent measurement of FVTPL shall adopt fair value measurement and its changes shall be included in profit or loss.

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(b) Sources of estimation uncertainty

Note 32 contains Information about assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

- Note 1(l): impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

- Note 1(u): recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

- Note 1(m): The Group's biological assets amounting to RMB2,841,000 as at 31 December 2022 (2021: RMB26,737,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques by an external valuer. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these biological assets. See Note 18 for further disclosures.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of guarantees, financial leasing, factoring, sales of market hogs and financial consultancy services. The amount of each significant category of revenue recognised during the year is as follows:

	2022 RMB'000	2021 RMB'000
Guarantee fee income		
– Income from financial guarantees	657	5,436
– Income from online financial guarantees	79,710	206,114
– Income from performance guarantees	968	669
– Income from litigation guarantees	90	47
Gross guarantee fee income	81,425	212,266
Less: guarantee service fee	(63,447)	(137,608)
Net guarantee fee income	17,978	74,658
Service fee from consulting services	615	60
Sales of market hogs	69,886	27,898
Total	88,479	102,616

During the year 2022, the Group's largest single customer contributed 42.27% of the Group's revenue (2021: 15.82%); while the percentage of the Group's top 5 customers' revenue was 74.30% (2021: 23.18%).

During the year 2022, the Group's largest single cooperation third party that referring customers to the Group has referred customers' revenue of 7.37% (2021: 40.35%) of the Group's revenue; while the percentage of the Group's top five cooperation third parties that referring customers to the Group have referred customers' revenue was 18.19% (2021: 65.70%).

During the year 2022, sales of market hogs mainly came from Guangdong province.

3 REVENUE AND SEGMENT REPORTIN *(continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Financial services: providing guarantee service, factoring service, financial leasing service and consulting service in the People's Republic of China (the "PRC"). Income of guarantee service takes major portion of financial services in year 2022.

- Hog selling: start with year 2020, the Group acquired Yangmianshan Company Limited ("Yangmianshan") to diversify the business of the Group. The main business of Yangmianshan is sales of market hogs in the PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, investments in financial assets and biological assets with the exception of interests in associates, deferred tax assets. Segment liabilities include liabilities from guarantees, pledged deposits received, interest-bearing borrowings, liability component of convertible bonds, accruals and other payables and lease liabilities managed directly by the segments.

Revenue and expenses are separate recognized to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associates.

The measure used for reporting segment profit is "loss/profit for the year". To arrive at loss/profit for the year the Group's revenue are further adjusted for items, such as impairment, operating expenses and share of gains of associates.

3 REVENUE AND SEGMENT REPORTIN *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities *(continued)*

Disaggregation of revenue by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

	Financial services		Yangmianshan		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Disaggregated by timing of revenue recognition						
Over time:						
Guarantee income	81,425	212,627	–	–	81,425	212,627
Inter-segment revenue	–	(361)	–	–	–	(361)
Less: guarantee service fee	(63,447)	(137,608)	–	–	(63,447)	(137,608)
Net guarantee fee income	17,978	74,658	–	–	17,978	74,658
Service fee from consulting services	615	60	–	–	615	60
Point in time:						
Sales of market hogs	–	–	69,886	27,898	69,886	27,898
Reportable segment revenue	18,593	74,718	69,886	27,898	88,479	102,616

3 REVENUE AND SEGMENT REPORTIN *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

	Financial services		Yangmianshan		Total	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Other revenue	**13,941**	1,776	**552**	134	**14,493**	1,910
Cost of market hogs sold	**–**	–	**(66,572)**	(14,752)	**(66,572)**	(14,752)
Impairment and provision charged	**(15,561)**	(32,755)	**–**	–	**(15,561)**	(32,755)
Operating expenses	**(39,261)**	(47,910)	**(39,211)**	(9,038)	**(78,472)**	(56,948)
Inter-segment operating expenses	**–**	–	**–**	165	**–**	165
Research and development costs	**(1,370)**	(1,647)	**–**	–	**(1,370)**	(1,647)
Interest expenses	**(15,260)**	(17,049)	**(7,375)**	(5,285)	**(22,635)**	(22,334)
Net changes in fair value on financial assets	**(3,624)**	(17,334)	**–**	–	**(3,624)**	(17,334)
Net changes in fair value of biological assets	**–**	–	**1,512**	(22,169)	**1,512**	(22,169)
Share of (losses)/gains of associates	**(421)**	164	**–**	–	**(421)**	164
Reportable segment loss before taxation	**(42,963)**	(40,037)	**(41,208)**	(23,047)	**(84,171)**	(63,084)
Income tax	**1,704**	(19,534)	**–**	–	**1,704**	(19,534)
Reportable segment loss for the year	**(41,259)**	(59,571)	**(41,208)**	(23,047)	**(82,467)**	(82,618)
Reportable segment assets	**561,150**	719,141	**197,019**	216,379	**758,169**	935,520
Reportable segment liabilities	**213,621**	341,245	**243,204**	221,358	**456,825**	562,603

3 REVENUE AND SEGMENT REPORTIN *(continued)*

(b) Segment reporting *(continued)*

(ii) Reportable segment assets and liabilities

	Financial services		Yangmianshan		Total	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Assets						
Reportable segment assets	**561,150**	719,141	**197,019**	216,379	**758,169**	935,520
Elimination of inter-segment receivables	**(70,603)**	(66,370)	**–**	–	**(70,603)**	(66,370)
Interests in associates	**22,736**	25,646	**–**	–	**22,736**	25,646
Deferred tax assets	**29,245**	27,386	**–**	–	**29,245**	27,386
Consolidated total assets	**542,528**	705,803	**197,019**	216,379	**739,547**	922,182

	Financial services		Yangmianshan		Total	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Liabilities						
Reportable segment liabilities	**213,621**	341,245	**243,204**	221,358	**456,825**	562,603
Elimination of inter-segment payable	**–**	–	**(70,603)**	(66,370)	**(70,603)**	(66,370)
Current tax liabilities	**16,468**	16,473	**–**	–	**16,468**	16,473
Consolidated total liabilities	**230,089**	357,718	**172,601**	154,988	**402,690**	512,706

(iii) Geographic information

The reportable segments is not separated by geographic information as major segments business are located in the PRC.

4 OTHER REVENUE

	Note	2022 RMB'000	2021 RMB'000
Changes in fair value on modification of the terms of convertible bonds		**10,207**	(6,087)
Interest income from bank deposits		**3,477**	6,239
Government grants	(a)	**772**	1,715
Others		**37**	43
Total		**14,493**	1,910

(a) Government grants

(i) Guangdong Success Finance Guarantee Company Limited ("Success Guarantee") received funding support mainly from Foshan Municipal Bureau of Finance. The entitlement of the government grants were under the discretion of the relevant government bureaus. The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received. For the year ended 31 December 2022, a government grant amounted to RMB68,100 (2021: RMB1,519,000) was rewarded to Success Guarantee. Apart from this, some grants were rewarded to the Company to maintain its occupation stability and support its development. Overall, the number of government grants counts to RMB92,000 (2021: RMB1,556,000).

(ii) Foshan Success Cloud Technology Company Limited ("Success Cloud") received funding support mainly from the Economic Promotion Bureau of Shunde District of Foshan City. The entitlement of the government grants were under the discretion of the relevant government bureaus. The purpose of the government grants was to promote the development of high-tech enterprises and information technology enterprises. For the year ended 31 December 2022, a government grant amounted to RMB128,000 (2021: 25,000) was rewarded to Success Cloud.

(iii) In 2022, the Heshan Municipal Finance Bureau provided several government grants totaling RMB2,550,000 to Yangmianshan Company to support its hog farming industry. The amortization of the government subsidy for the year was RMB552,000 (In 2021, the number of government grant awarded to Yangmianshan is RMB2,514,000).

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Impairment and provision - charged

	Note	2022 RMB'000	2021 RMB'000
Provision charged/(credited) for guarantees issued	24(a)	1,746	(1,322)
Impairment allowances charged/(credited) for:			
– receivables from guarantee payments	13(a)(ii)	16,523	16,893
– trade debtors receivables	13(a)(ii)	–	(7,976)
– deposit and other receivables	13(c)	7,474	–
– amounts due from related parties	13(c)	(19,730)	–
– factoring receivable	14(b)	2,877	8,233
– finance lease receivable	15(b)	4,182	16,927
Impairment of Investment in associate		2,489	–
Total		15,561	32,755

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	24,858	23,564
Contributions to defined contribution retirement plan	790	734
Equity settled share-based payment expenses	1,691	3,327
Total	27,339	27,625

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

5 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs *(continued)*

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan.The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no other material obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items

	Note	**2022** **RMB'000**	2021 RMB'000
Depreciation charge		**1,884**	1,829
– right-of-use assets	20(b)	**1,632**	1,628
– owned property, plant and equipment	20(a)	**252**	201
Amortisation		**–**	3
Operating lease charges in respect of leasing of properties		**90**	120
Auditors' remuneration		**4,754**	5,019
– audit services		**2,748**	2,748
– other services		**2,006**	2,271
Net foreign exchange loss/(gain)		**2,188**	(78)
Loss of inventory	(i)	**29,112**	1,670

(i) The main business of Yangmianshan is sales of market hogs in the PRC. The loss of inventory as at 31 December 2022 is RMB 29,112,000 (2021:RMB 1,670,000) represents the cost arising from the loss of hogs.

5 LOSS BEFORE TAXATION *(continued)*

(d) Interest expenses

	2022 RMB'000	2021 RMB'000
Interest on bank loans and other borrowings	**11,268**	8,554
Interest on Convertible Bond	**10,595**	13,371
Interest on lease liabilities	**731**	456
others	**41**	(47)
Total	**22,635**	22,334

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 RMB'000	2021 RMB'000
Current tax		
Provision for PRC income tax for the year	**–**	–
Tax filing differences	**(155)**	531
Deferred tax		
Origination and reversal of temporary differences	**1,859**	(20,065)
Total	**1,704**	(19,534)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Reconciliation between income tax and accounting loss at applicable tax rates:

	2022 RMB'000	2021 RMB'000
Loss before taxation	**(84,171)**	(63,084)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	**21,043**	15,771
Tax effect of unused tax losses not recognised	**(18,206)**	(34,467)
Tax effect of non-deductible expenses	**(978)**	(1,369)
Tax filing differences	**(155)**	531
Actual tax income/(expense)	**1,704**	(19,534)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.

(ii) Hong Kong has proposed Foreign Source income Exemption for the Company and the subsidiaries located in Hong Kong, but the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the year.

(iii) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Group's PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

Pursuant to the article 27 of Law of the People's Republic of China on Enterprise Income Tax (No. 63 Order of the President of the People's Republic of China), Yangmianshan is entitled to full income tax exemptions on its animal husbandry business.

(iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, any undistributed profit will not be distributed in the foreseeable future. Furthermore, as at 31 December 2022, an accumulated losses has been recorded as RMB436,277,000 (2021: RMB352,108,000). As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 December 2022					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman and executive director						
Mr. Zhang Tiewei	3,092	–	–	3,092	–	3,092
Executive directors						
Mr. Li Bin	–	2,140	36	2,176	–	2,176
Ms. Dai Jing	–	1,728	36	1,764	–	1,764
Mr. Xu Kaiying	2,062	15	–	2,077	–	2,077
Mr. Pang Haoquan	1,031	–	–	1,031	–	1,031
Independent non-executive directors						
Mr. Tsang Hung Kei	206	–	–	206	–	206
Mr. Au Tien Chee Arthur	206	–	–	206	–	206
Mr. Xu Yan	179	–	–	179	–	179
Mr. Zhou Xiaojiang	206	–	–	206	–	206
Total	6,982	3,883	72	10,937	–	10,937

7 DIRECTORS' REMUNERATION *(continued)*

	For the year ended 31 December 2021					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note (i)) RMB'000	Total RMB'000
Chairman and executive director						
Mr. Zhang Tiewei	2,988	–	–	2,988	–	2,988
Executive directors						
Mr. Li Bin	–	1,992	–	1,992	–	1,992
Ms. Dai Jing	–	1,594	–	1,594	–	1,594
Mr. Xu Kaiying	1,992	17	–	2,009	–	2,009
Mr. Pang Haoquan	996	–	–	996	–	996
Non-executive director						
Mr. He Darong	83	–	–	83	–	83
Independent non-executive directors						
Mr. Tsang Hung Kei	199	–	–	199	–	199
Mr. Au Tien Chee Arthur	199	–	–	199	–	199
Mr. Xu Yan	199	–	–	199	–	199
Mr. Zhou Xiaojiang	199	–	–	199	–	199
Total	6,855	3,603	–	10,458	–	10,458

Notes:

(i) Share-based payments

These represent the estimated value of share options granted to the director under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(t)(ii).

(ii) There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2022.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emolument, four (2021: four) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2021: one) individual is as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other emoluments	1,630	1,792
Contributions to defined contribution retirement plan	52	17
Share-based payments	–	–
Total	1,682	1,809

The emoluments of the one (2021: one) individual with the highest emoluments are within the following bands:

	2022	2021
HK$2,000,000-HK$4,000,000	1	1

There were no amounts paid during the years ended 31 December 2022 and 2021 to the individuals in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join.

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2022			2021		
	Before tax amout RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000	Before tax amout RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of:						
– financial statements of overseas subsidiaries	404	101	303	(2,069)	(517)	(1,552)

10 LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB74,179,000 (2021 loss: RMB71,178,000) and the weighted average of 549,883,000 ordinary shares (2021: 542,305,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022 '000	2021 '000
Issued ordinary shares at 1 January	542,305	525,938
Effect of convertible bonds transferred to shares	7,578	16,367
Weighted average number of ordinary shares at 31 December	549,883	542,305

The Group has convertible bonds as dilutive potential ordinary shares during the year ended 31 December 2022. Diluted loss per share for the year ended 31 December 2022 is (0.13) (2021: 0.15).

11 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Demand deposits and term deposits with banks with original maturity less than three months	29,839	29,669
Restricted customer pledged deposits (i)	61	61
Restricted third-party pledged deposits (i)	119,918	149,945
Other restricted funds	8,391	5,711
Cash on hand	142	54
Cash and bank deposits in the consolidated statement of financial position	158,351	185,440
Restricted customer pledged deposits (i)	(61)	(61)
Restricted third-party pledged deposits (i)	(119,918)	(149,945)
Other restricted funds	(8,391)	(5,711)
Cash and cash equivalents in the consolidated cash flow statement	29,981	29,723

11 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(a) Cash and cash equivalents comprise: *(continued)*

(i) Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, the Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011.

These arrangements include: (i) enter into tripartite custodian agreement among lending bank, customer or the third party and the Group, for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the customer/third party into a designated custodian bank account; and (iii) such deposit is not available for use by the Group.

In order to comply with the aforesaid rules and regulations, the Group had set up internal guidelines which were adopted by the Group in May 2012. However, the aforesaid rules and regulations are not enforceable to banks and the Group could not enter into tripartite custodian arrangement with certain lending banks. As at 31 December 2022, restricted customer pledged deposits of RMB56,000 (2021: RMB 56,000) were deposited into a designated bank account under tripartite custodian arrangements. For those guarantee services without setting up tripartite custodian arrangements, the Group has maintained the restricted customer pledged deposits received in the Group's bank accounts.

Pursuant to the agreements in relation to the online financial guarantee business, the Group set up certain arrangements to manage the third parties' pledged deposits.

These arrangements include: (i) enter into tripartite custodian agreement among lending bank, the third party and the Group, for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the third party into a designated custodian bank account; and (iii) such deposit is not available for use by the Group. As at 31 December 2022, restricted third-party pledged deposits of RMB119,918,000 (2021: RMB149,945,000) were deposited into a designated bank account under tripartite custodian arrangements. There are corresponding same amount of balances being recorded in pledged deposits received (note 25).

As at 31 December, the restricted pledged deposits received were maintained as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Restricted third-party pledged deposits	**119,918**	149,945
Restricted customer pledged deposits:		
– designated custodian bank accounts	**56**	56
– the Group's bank accounts	**5**	5
Total	**119,979**	150,006

11 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of loss before taxation to cash used in from operations

	Note	**2022 RMB'000**	2021 RMB'000
Loss before taxation		**(84,171)**	(63,084)
Adjustments for:			
Depreciation and amortisation	5(c)	**1,884**	1,832
Impairment and provision charged	5(a)	**15,561**	32,755
Share of losses/(gains) of associates		**421**	(164)
Unrealised foreign exchange gains		**(10,226)**	(33,672)
Interest income	4	**(3,477)**	(6,239)
Equity settled share-based payment expenses	5(b)	**1,691**	3,327
Interest expenses	5(d)	**22,635**	22,334
Net fair value loss on other financial assets	21	**3,624**	17,334
Net fair value (gain)/loss on biological assets	18	**(1,512)**	22,169
Other (revenue)/loss on modification of convertible bonds	27	**(10,207)**	6,087
Cost of market hogs sold		**66,572**	14,752
Changes in working capital:			
Decrease in pledged bank deposits	12	**35,998**	64,887
Decrease/(Increase) in trade and other receivables		**16,419**	(30,228)
Decrease in factoring receivable	14	**6,054**	14,365
Decrease in finance lease receivable	15	**–**	25,697
Decrease in accruals and other payables		**(9,246)**	(18,426)
Decrease in deferred income	24	**(85,895)**	(148,453)
Increase in inventory	19	**(353)**	(1,555)
Decrease/(Increase) in biological assets	18	**25,409**	(20,508)
Amount due to capital reserve		**(3,778)**	10,166
Cash used in operating activities		**(12,597)**	(86,624)

11 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

	Note	Interest-bearing borrowings RMB'000	Liability component of convertible bonds RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022		105,000	58,653	14,129	177,782
Changes from financing cash flows:					
Proceeds of interest-bearing borrowings	26	28,980	–	–	28,980
Capital and interest element of lease rentals paid		–	–	(1,916)	(1,916)
Repayment of convertible bonds		–	(4,359)	–	(4,359)
Interest paid		–	(3,743)	–	(3,743)
Total changes from financing cash flows		28,980	(8,102)	(1,916)	18,962
Exchange adjustments		–	(1,442)	(17)	(1,459)
Other changes:					
Interest expenses		11,268	10,595	731	22,594
Other revenue	27	–	(10,207)	–	(10,207)
Increase in lease liabilities		–	–	60	60
Decrease in other payables		(11,268)	(4,918)	–	(16,186)
Decrease in other receivables		–	(353)	–	(353)
Total other changes		–	(4,883)	791	(4,092)
At 31 December 2022		133,980	44,226	12,987	191,193

11 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities *(continued)*

	Note	Interest-bearing borrowings RMB'000	Liability component of convertible bonds RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021		50,000	60,015	11,529	121,544
Changes from financing cash flows:					
Proceeds of interest-bearing borrowings	26	50,272	–	–	50,272
Capital and interest element of lease rentals paid		–	–	(2,564)	(2,564)
Interest paid		–	(1,493)	–	(1,493)
Total changes from financing cash flows		50,272	(1,493)	(2,564)	46,215
Exchange adjustments		–	(3,872)	2	(3,870)
Other changes:					
Interest expenses		20,646	924	764	22,334
Other revenue	27	–	6,087	–	6,087
Increase in lease liabilities		–	–	4,398	4,398
Decrease in other payables		(15,918)	(2,669)	–	(18,587)
Decrease in other receivables		–	(339)	–	(339)
Total other changes		4,728	4,003	5,162	13,893
At 31 December 2021		105,000	58,653	14,129	177,782

12 PLEDGED BANK DEPOSITS

Pledged bank deposits represent the deposits pledged to banks for the financial guarantees that the Group provides to the customers for their borrowings from banks.

13 TRADE AND OTHER RECEIVABLES

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Receivables from guarantee payments	(a)(i)	**139,062**	119,840
Less: allowances for doubtful debts	(a)(ii)	**(115,512)**	(98,989)
		23,550	20,851
Trade debtors from consultancy services		**1,736**	1,681
Trade debtors from guarantees		**1,055**	1,101
		2,791	2,782
Trade receivables	(a)	**26,341**	23,633
Down payments for investments net of impairment allowances	(b)	**–**	–
Deposit and other receivables, net of impairment allowances	(c)	**127,168**	98,437
Amounts due from related parties	(c)	**6,614**	8,971
		160,123	131,041
Deferred expenses of online financial guarantee business		**18,106**	92,759
Prepayments for constructions		**15,999**	16,122
Prepayments to online financial guarantees		**3,656**	3,617
Prepayments to third parties		**2,507**	5,409
Mortgage assets		**2,655**	2,836
Others		**572**	571
Total		**203,618**	252,355

13 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis of trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables (net of allowances for doubtful debts), based on the guarantee income recognition date or advance payment date, is as follows:

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Within 1 month		**741**	15,764
Over 1 month but less than 3 months		**–**	17,561
Over 3 months but less than 1 year		**20,668**	2,391
More than 1 year		**120,444**	86,906
Total		**141,853**	122,622
Less: allowances for doubtful debts	(ii)	**(115,512)**	(98,989)
Total		**26,341**	23,633

(i) Receivables from guarantee payments

Receivables from guarantee payments represented payments made by the Group to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because the customers fail to make payments when due in accordance with the terms of the corresponding debt instruments. Receivables from guarantee payments were interest-bearing and the Group holds certain collaterals over certain customers.

During the year ended 31 December 2022, the Group did not dispose of receivables from guarantee payments.

(ii) Trade receivables that are impaired

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written-off against debtors directly (see note 1(l)).

13 TRADE AND OTHER RECEIVABLES *(continued)*

At 31 December 2022, the Group's debtors of RMB141,853,000 (2021: RMB122,622,000) of receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired, see note 13(a). These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, allowances for the doubtful debts were recognised as follows:

	2022 Lifetime ECL credit-impaired RMB'000	2021 Lifetime ECL credit-impaired RMB'000
As at 1 January	**98,989**	134,171
Impairment allowances	**17,760**	16,893
Reversal	**(1,237)**	(7,976)
Written-off	**–**	(44,099)
As at 31 December	**115,512**	98,989

(b) Down payments for investments, net of impairment allowances

	2022 Lifetime ECL credit-impaired RMB'000	2021 Lifetime ECL credit-impaired RMB'000
Down payments for investments	**50,550**	74,850
Less: allowances	**(50,550)**	(74,850)
Total	**–**	–

13 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Down payments for investments, net of impairment allowances *(continued)*

Ageing analysis

	2022 Lifetime ECL credit-impaired RMB'000	2021 Lifetime ECL credit-impaired RMB'000
More than 1 year	**50,550**	74,850
Less: allowances	**(50,550)**	(74,850)
Total	**–**	–

Down payments for investments represented the down payments for the acquisition projects that the Group are conducting. At 31 December 2022, the Group's debtors had impairment allowances of RMB50,550,000 of down payments for investments. These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Down payments for investments were determined to be stage 3 lifetime ECL credit-impaired.

13 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Deposit and other receivables, net of impairment allowances

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Deposit		**17,178**	17,254
Other receivables	(i)	**194,397**	172,516
Less: allowances for other receivables		**(84,407)**	(91,333)
Total		**127,168**	98,437
Amounts due from related parties		**12,247**	34,334
Less: allowances		**(5,633)**	(25,363)
Total		**6,614**	8,971

(i) Other receivables are mainly the prepayments of cooperation funds, deposits for rentals and other non-business related receivables. The prepayments of cooperation funds are provided by the Group to the unrelated third parties for joint business in the bidding or preparation stage. If the contract is not completed within the agreed dates, the unrelated third parties will return the funds to the Group.

Ageing analysis

Deposit and other receivables	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Less than 1 year	**69,247**	55,377
More than 1 year	**142,328**	134,393
Total	**211,575**	189,770
Less: allowances	**(84,407)**	(91,333)
Total	**127,168**	98,437

13 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Deposit and other receivables, net of impairment allowances *(continued)*

Ageing analysis *(continued)*

Amounts due from related parties	31 December 2022 RMB'000	31 December 2021 RMB'000
Less than 1 year	–	8,971
More than 1 year	12,247	25,363
Total	12,247	34,334
Less: allowances	(5,633)	(25,363)
Total	6,614	8,971

Deposit and other receivables	2022 Lifetime ECL credit-impaired RMB'000
As at 31 December 2021	(91,333)
Net re-measurement of loss allowance	(7,474)
Written-off	14,400
As at 31 December 2022	(84,407)

Amounts due from related parties	2022 Lifetime ECL credit-impaired RMB'000
As at 31 December 2021	(25,363)
Net re-measurement of loss allowance	19,730
As at 31 December 2022	(5,633)

13 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Deposit and other receivables, net of impairment allowances *(continued)*

Ageing analysis *(continued)*

Deposit and other receivables	2021 Lifetime ECL credit-impaired RMB'000
As at 31 December 2020	(91,333)
Net re-measurement of loss allowance	–
As at 31 December 2021	(91,333)

Amounts due from related parties	2021 Lifetime ECL credit-impaired RMB'000
As at 31 December 2020	(25,363)
Net re-measurement of loss allowance	–
As at 31 December 2021	(25,363)

As at 31 December 2022, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB84,407,000 (2021: RMB91,333,000).

14 FACTORING RECEIVABLE

	31 December 2022		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Factoring receivable	**18,675**	**40,000**	**58,675**
Interest receivable from factoring receivable	**2,067**	**4,215**	**6,282**
Less: allowances for factoring receivable	**(2,239)**	**(35,628)**	**(37,867)**
Carrying amount of factoring receivable	**18,503**	**8,587**	**27,090**

	31 December 2021		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Factoring receivable	24,728	45,000	69,728
Interest receivable from factoring receivable	2,067	4,507	6,574
Less: allowances for factoring receivable	(2,862)	(37,419)	(40,281)
Carrying amount of factoring receivable	23,933	12,088	36,021

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of factoring receivable, based on the maturity date in contracts, is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 1 month	**–**	–
Over 1 month but less than 3 months	**–**	–
Over 3 months but less than 1 year	**18,675**	44,730
More than 1 year	**46,282**	31,572
Total	**64,957**	76,302
Less: allowances for factoring receivable	**(37,867)**	(40,281)
Total	**27,090**	36,021

14 FACTORING RECEIVABLE *(continued)*

(b) Impairment of factoring receivable

Impairment losses in respect of factoring receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written-off against debtors directly (see note 1(l)).

Consequently, an allowance of impairment losses for factoring receivable during the year was recognised as follows:

	2022		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at 31 December 2021 and 1 January 2022	**2,862**	**37,419**	**40,281**
Net re-measurement of loss allowance	**(623)**	**3,500**	**2,877**
Written-off	**–**	**(5,291)**	**(5,291)**
Balance at 31 December 2022	**2,239**	**35,628**	**37,867**

	2021		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at 1 January 2021	2,647	31,936	34,583
Net re-measurement of loss allowance	215	8,018	8,233
Written-off	–	(2,535)	(2,535)
Balance at 31 December 2021	2,862	37,419	40,281

15 FINANCE LEASE RECEIVABLE

	Note	31 December 2022 Lifetime ECL credit-impaired RMB'000	Total RMB'000
Net amount of finance lease receivable		165,222	165,222
Less: allowances for finance lease receivable	(a)/(b)	(144,752)	(144,752)
Carrying amount of finance lease receivable		20,470	20,470

	Note	31 December 2021 Lifetime ECL credit-impaired RMB'000	Total RMB'000
Net amount of finance lease receivable		165,222	165,222
Less: allowances for finance lease receivable	(a)/(b)	(140,570)	(140,570)
Carrying amount of finance lease receivable		24,652	24,652

(a) The table below analyses the Group's finance lease receivable by relevant maturity grouping at the end of the reporting period:

	31 December 2022		31 December 2021	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Overdue	165,222	165,222	165,222	165,222
Within 1 year	–	–	–	–
Total	165,222	165,222	165,222	165,222
Less: allowances for finance lease receivable	(144,752)	(144,752)	(140,570)	(140,570)
Net investment in finance lease receivable	20,470	20,470	24,652	24,652

15 FINANCE LEASE RECEIVABLE *(continued)*

(b) Impairment allowances charged for finance lease receivable

	31 December 2022	
	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at 31 December 2021 and 1 January 2022	140,570	140,570
Net re-measurement of loss allowance	4,182	4,182
Balance at 31 December 2022	144,752	144,752

	31 December 2021		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at 1 January 2021	4,772	144,568	149,340
Net re-measurement of loss allowance	(4,772)	21,699	16,927
Written-off	–	(25,697)	(25,697)
Balance at 31 December 2021	–	140,570	140,570

(c) An analysis of the overdue finance lease receivable is as follows:

	31 December 2022				31 December 2021			
	Overdue within 3 months RMB'000	Overdue over 3 months but within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000	Overdue within 3 months RMB'000	Overdue over 3 months but within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Finance lease receivable	–	–	165,222	165,222	–	46,351	118,871	165,222

(Expressed in Renminbi unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group.

				Proportion of ownership interest			
Name of company	Place of incorporation and kind of legal entity	Date of incorporation	Fully paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Double Chance Developments Limited ("Double Chance")	BVI Ltd.	8 February 2012	1 share of USD1 each	100%	100%	–	Investment holding
China Success Capital Limited ("Success Capital")	BVI Ltd.	29 June 2016	1 share of USD1 each	100%	100%	–	Investment holding
China Success Finance Holdings Limited ("Success Finance")	Hong Kong Ltd.	18 November 2011	10,000 shares of HKD1 each	100%	–	100%	Investment holding
China Success Capital (HK) Limited ("Success Capital (HK)")	Hong Kong Ltd.	1 August 2016	–	100%	–	100%	Provision of asset management and merger services outside the PRC
Guangdong Success Asset Management Company Limited ("Success Asset")	The PRC Ltd.	23 June 2004	RMB170,270,000	99.27%	–	99.27%	Provision of asset management and financial consultancy services in the PRC
Guangdong Success Finance Guarantee Company Limited ("Success Guarantee")	The PRC Ltd.	26 December 1996	RMB430,000,000	99.27%	–	100%	Provision of financial guarantee services in the PRC
Shenzhen Success Financial Leasing Company Limited ("Success Financial Leasing")	The PRC Ltd.	6 June 2014	USD28,000,000	100%	–	100%	Provision of financial leasing services in the PRC
Shenzhen Success Equity Investment Fund Management Limited ("Success Equity Fund")	The PRC Ltd.	6 September 2014	RMB15,000,000	100%	–	100%	Equity investment in the PRC

(Expressed in Renminbi unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES *(continued)*

				Proportion of ownership interest			
Name of company	Place of incorporation and kind of legal entity	Date of incorporation	Fully paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shenzhen Success Number One Equity Investment Fund Limited Partnership ("Success Fund")	The PRC LLP	14 January 2015	RMB194,000,000	100%	–	100%	Equity investment in the PRC
Shenzhen Qianhai Success Housing Management Consulting Company Limited ("Qianhai Success Housing")	The PRC Ltd.	8 July 2015	RMB61,000,000	100%	–	100%	Provision of real estate financial services in the PRC
Guangzhou Hengyue Number Six Investment Limited Partnership ("Hengyue Number Six")	The PRC LLP	23 February 2017	RMB45,070,027	99.34%	–	100%	Equity investment in the PRC
T. M. Management Limited ("T. M. Management")	Hong Kong Ltd.	4 March 1986	HKD100,000	100%	–	100%	Provision of portfolio management services such as stocks, funds, bonds and so on outside the PRC
Yangmianshan Company Limited (Note 1)	The PRC Ltd.	15 December 2017	RMB 3,000,000	51%	–	51%	Provision of agricultural development services in the PRC

Note 1 On 21 January 2020, Success Financial Leasing invested RMB1,530,000 in Yangmianshan, holding 51% of shares. The remaining 49% shares were held by Heshan Yingchuang Trading Co., Ltd. Yangmianshan focuses on the biological breeding industry.

Note 2 On 21 February 2020, Foshan government approved the cancellation of Foshan Guangda Asset Management Co., Ltd..

Note 3 On 4 April 2020, Foshan government approved the cancellation of Foshan Success Technologies Co., Ltd..

Note 4 On 27 October 2022, Foshan government approved the cancellation of Foshan Success Financial Services Outsourcing Co., Ltd..

(Expressed in Renminbi unless otherwise indicated)

17 INTERESTS IN ASSOCIATES

The following list contains the particulars of the associates, which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and operation	Fully paid-up capital by all investors	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Guangzhou Hengsheng Fund Management Co., Ltd. ("Guangzhou Hengsheng") 廣州恒晟基金管理有限公司*(「恒晟基金」)	Incorporated	The PRC	RMB30,000,000	40% (note 1)	40%	Equity fund management
Kelly Integration (Guangdong)Holding Co., Ltd (Original name"Guangzhou Success Capital") 凱利集成 (廣東) 控股有限公司* (原名「廣州集成資本」)	Incorporated	The PRC	RMB18,000,000	30% (note 2)	30%	Business Service
Foshan Chancheng Success Micro Credit Co., Ltd. ("Success Credit") 佛山市禪城集成小額貸款有限公司* (「集成貸款」)	Incorporated	The PRC	RMB250,000,000	27.08% (note 3)	27.28%	Micro credit financing
Guangzhou Rongdacheng Information Technology Service Co., Ltd. ("Guangzhou Rongdacheng") 廣州融達成信息技術服務有限公司* (「廣州融達成」)	Incorporated	The PRC	RMB8,000,000	30% (note 4)	30%	Information technology

* The English translation of the names is for reference only. The official names of the entities are in Chinese.

Note 1 Together with two entities, Success Fund established Guangzhou Hengsheng on 23 November 2015. Success Fund had fully paid-up its subscribed capital of RMB20,000,000, which accounted for 40% of the total subscribed capital. Xizang Xuekunfushen Investment Co., Ltd. (西藏雪坤富神投資有限公司), one of its shareholders, has paid-up RMB3,900,000 of its subscribed capital in 2017, paid-up RMB1,100,000 in 2019 and paid-up RMB5,000,000 in 2020.

Note 2 Together with three entities, Qianhai Success Housing established Guangzhou Success Capital on 24 July 2019. Qianhai Success Housing had paid RMB 4,000,000, which is half of its subscribed capital, and Qianhai Success Housing accounted for 40% of the total subscribed capital. In 2021, the holding percentage of Qianhai Success Housing was changed to 30% and its subscribed capital was changed to RMB6,000,000. China Kelly Group Co., Ltd. (中國凱利集團有限公司) has paid-up RMB3,000,000 of its subscribed capital in 2020 and paid-up RMB2,000,000 in 2021. Guangdong Hengyin Holding Co., Ltd. (廣東恒銀控股有限公司) has paid-up RMB1,880,000 of its subscribed capital in 2020 and paid-up RMB2,320,000 in 2021. Hua Ye Holding Co., Ltd. (華業控股有限公司) has paid-up RMB3,000,000 of its subscribed capital in 2020. Guangdong Nengxing Culture Communication Co., Ltd. (廣東能興文化傳播有限公司) has paid-up RMB1,800,000 of its subscribed capital in 2020.

Note 3 The management made full impairment of interest in Success Credit in the year 2020.

Note 4 The management made full impairment of interest in Guangzhou Rongdacheng in the year 2022.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

18 BIOLOGICAL ASSETS

	2022 RMB'000	2021 RMB'000
Current biological assets		
At 1 January	11,536	28,399
Increase due to purchasing/raising	74,695	15,043
Decrease due to sales/culling	(82,657)	(11,982)
Changes in fair value less costs to sell	(733)	(19,924)
At 31 December	2,841	11,536
Non-current biological assets		
At 1 January	15,201	–
Increase due to purchasing/raising	1,070	20,709
Decrease due to sales/culling	(18,516)	(3,262)
Changes in fair value less costs to sell	2,245	(2,246)
At 31 December	–	15,201

(i) Current biological assets

Current commercial stocks are live hogs including piglets and growing hogs which are raised for sale.

(ii) Non-current biological assets

Non-current stocks are breeding stocks including gilts and sows which are used for produce future live hogs.

(Expressed in Renminbi unless otherwise indicated)

18 BIOLOGICAL ASSETS *(continued)*

(iii) The quantities of market hogs owned by the Group at the end of the reporting period are as follows:

	At 31 December 2022 (Heads)	At 31 December 2021 (Heads)
Current biological assets		
– piglets	–	5,017
– growing hogs	1,616	12,168
Non-current biological assets		
– gilts	–	150
– sows	–	2,917

(iv) Fair value measurement of biological assets

Fair value hierarchy

The inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurements of biological assets, except eucalyptus seedings, fall into level 3 of the fair value hierarchy.

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

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18 BIOLOGICAL ASSETS *(continued)*

(iv) Fair value measurement of biological assets *(continued)*

Fair value hierarchy *(continued)*

All of the Group's biological assets except eucalyptus seedings were revalued as at 31 December 2022. The valuations were carried out by an independent and qualified valuer, Guangdong Zhongguangxin Asset Appraisal Co., Ltd. (the "Valuer"). The Group's chief financial officer had discussion with the Valuer on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

Information about Level 3 fair value measurement:

	Significant unobservable inputs	**At 31 December 2022**	At 31 December 2021
Current biological assets			
– Piglets	Market price		
– Growing hogs (Note)	Market price	**RMB18.04 per kilogram**	RMB17.8 per kilogram
Non-current biological assets			
– Gilts (Note)	Replacement cost	–	RMB 3,396 per head
– Sows (Note)	Replacement cost	–	RMB 3,396 per head

18 BIOLOGICAL ASSETS *(continued)*

(iv) Fair value measurement of biological assets *(continued)*

Fair value hierarchy *(continued)*

Note:

Market prices were adopted for growing hogs as there were active markets for the growing hogs.

A significant increase/decrease in the estimated market price and replacement cost of live hogs and breeding stock held for own use in isolation would result in a significant increase/decrease in the fair value of the biological assets

As at 31 December 2022, if market price cost increases by 5%, the estimated fair value of biological assets would have increased by RMB153,369, and if market price decreases by 10%, the estimated fair value of biological assets would have decreased by RMB306,739.

The fair value assessment method of biological assets adopts depreciated replacement cost method (DRCM) and market method, which is assessed by external valuers according to recognized industry standards. Valuation assumptions include estimating the market price, replacement cost and completion cost of biological assets.

Due to the fluctuation of the pig market during the year, the Group recorded net changes in fair value of biological assets of RMB 1.51 million in this year.

19 INVENTORIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Raw materials	1,908	1,555

20 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Pig Farm and other buildings RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Improvements RMB'000	Construction in Progress RMB'000	Other properties leased for own use RMB'000	Total Property, plant and equipment RMB'000
Cost							
At 1 January 2021	–	4,055	2,177	–	85,705	20,127	112,064
Additions	–	104	15,629	1,412	68,623	4,502	90,270
Transfer from construction in progress to fixed assets	107,346	–	46,607	–	(153,953)	–	–
Disposals	–	–	(16)	–	–	(856)	(872)
Exchange adjustments	–	(38)	(24)	–	–	–	(62)
At 31 December 2021 and 1 January 2022	107,346	4,121	64,373	1,412	375	23,773	201,400
Additions	7,403	1,014	776	–	18,593	60	27,846
Transfer from construction in progress to fixed assets	–	–	–	–	–	–	–
Disposals	–	–	(273)	–	(9,192)	–	(9,465)
Exchange adjustments	–	120	25	–	–	–	145
At 31 December 2022	114,749	5,255	64,901	1,412	9,776	23,833	219,926
Accumulated depreciation							
At 1 January 2021	–	(3,844)	(1,359)	–	–	(3,112)	(8,315)
Charge for the year	(4,025)	(167)	(2,974)	(22)	–	(1,716)	(8,904)
Written back on disposal	–	–	15	–	–	855	870
Exchange adjustments	–	32	23	–	–	3	58
At 31 December 2021 and 1 January 2022	(4,025)	(3,979)	(4,295)	(22)	–	(3,970)	(16,291)
Charge for the year	(5,742)	(190)	(4,305)	(67)	–	(1,734)	(12,038)
Written back on disposal	–	–	273	–	–	–	273
Exchange adjustments	–	(114)	(24)	–	–	(18)	(156)
At 31 December 2022	(9,767)	(4,283)	(8,351)	(89)	–	(5,722)	(28,212)
Net book value							
At 31 December 2022	104,982	972	56,550	1,323	9,776	18,111	191,714
At 31 December 2021	103,321	142	60,078	1,390	375	19,803	185,109

20 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**2022 RMB'000**	2021 RMB'000
Other properties leased for own use, carried at depreciated cost		**23,833**	23,773

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Note	**2022 RMB'000**	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:			
Other properties leased for own use		**(5,722)**	(3,970)
Net book value		**18,111**	19,803
Interest on lease liabilities	5(d)	**731**	456

During the year the Group entered into a number of lease agreements for use of house, and therefore recognised the additions to right-of-use assets of RMB60,000 (2021: RMB4,502,000).

21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Financial assets measured at FVPL			
– Unlisted equity investment	(a)	**4,003**	44,698
– Conversion option embedded in convertible bonds	27	**2,961**	1,943
– Repurchase option	32(d)	**–**	32
Total		**6,964**	46,673

21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)) *(continued)*

(a) Unlisted equity investment

On 6 April 2012, Success Guarantee entered into an agreement with Foshan Success Finance Group Co., Ltd. ("Foshan Finance"). On 12 October 2012, Success Asset entered into a tripartite agreement with Foshan Finance and a third party, who is a constructor. These agreements are related to acquisition of properties from Foshan Finance by Success Guarantee and Success Asset at a total consideration of RMB54,300,000. The properties are floors of a commercial building located in Foshan, the PRC. According to the agreements, Foshan Finance acts as the representative to lead the whole tender and development process, while the construction of the commercial building is subcontracted to the constructor by Foshan Finance. On 21 October 2013, Success Guarantee entered into a supplementary agreement with Foshan Finance, and Success Asset entered into a supplementary tripartite agreement with Foshan Finance and the constructor. On 23 October 2013, the prepayments of RMB20,893,000 and RMB27,300,000 were refunded to Success Guarantee and Success Asset, respectively. Prepayments of RMB6,107,000 from Success Guarantee was 3.5% of the costs of the land use rights of RMB174,480,000, which were paid by Foshan Finance to the relevant governmental bureau for and on behalf of and attributable to Success Guarantee.

On 25 January 2017, to increase the efficiency of the construction and development of the properties, Success Guarantee entered into an agreement with seven entities, which are related parties to the Group. On 9 February 2017, the eight parties established Foshan Shengshi Junen Enterprise Management Company Limited ("Shengshi Junen Enterprise Management"). Pursuant to the Article of Shengshi Junen Enterprise Management, Success Guarantee holds 3.5% shares of Shengshi Junen Enterprise Management, and contributed a 3.5% interest in the properties as the registered capital of Shengshi Junen Enterprise Management. On 14 November 2017, all shareholders of Shengshi Junen Enterprise Management paid-up capital of RMB4,536,000 by cash. Success Guarantee contributed a 3.5% interest and paid up RMB159,000.

On 3 July 2019, Success Financial Leasing signed an agreement with Guangdong Yinhe Motorcycle Group Company Limited (the shareholder of Guangdong Mupai) that Success Financial Leasing acquired 12.90% equity of Guangdong Mupai through RMB11.85 million capital injection. As the transaction was facilitated by Mr. Zhang Tiewei, the Chairman and executive director of the Group, Mr Zhang Tiewei held shares indirectly in the Guangdong Mupai, it was accounted for capital reserve and deem to be a contribution from shareholder (see note 31(e)) for the difference between the acquisition price and the fair value of Guangdong Mupai's equity.

21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)) *(continued)*

(a) Unlisted equity investment *(continued)*

At 28 December 2022, Success Financial Leasing entered into the disposal agreement with the purchaser under which Success Financial Leasing agreed to sell 12.90% equity of Guangdong Mupai, to the purchaser for an aggregate consideration of RMB 36,980,000. According to the disposal agreement, RMB 15,405,000 was received upon the signing date, RMB 10,787,500 should be settled before 28 December 2023 and the remaining RMB 10,787,500 should be settled before 28 December 2024.

Upon completion of the disposal, the Company will no longer have any interest in Guangdong Mupai.

At 31 December 2022, the carrying amount of equity investment was RMB4,003,000 (2021: RMB44,698,000), 3.5% of the value of Shengshi Junen Enterprise Management.

Changes in the fair value of the Group's financial assets mainly refer to the fair value assessment of the Group's invested company. The fair value assessment method of financial assets adopts the Adjusted Net Asset Value (ANAV), which mainly assesses the value of the assets and liabilities of the respective target companies. Valuation assumptions include transaction assumptions for assets, open market assumptions, continuing use assumptions and going concern assumptions. During the reporting period, the net assets after valuation of Shengshi Junen Enterprise Management decreased compared with the same period last year, resulting in a loss of approximately RMB4.72 million from changes in the fair value of financial assets for the reporting period.

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	Note	2022 RMB'000	2021 RMB'000
At 1 January		**16,473**	18,908
Provision for PRC income tax for the year	6(a)	**155**	(531)
PRC income tax paid		**(160)**	(1,904)
At 31 December		**16,468**	16,473

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Deferred income RMB'000	Impairment allowances for trade and other receivables RMB'000	Accrued expenses RMB'000	Interest receivables RMB'000	Long-term unamortised expenses RMB'000	Fair value change gains and losses RMB'000	Re-guarantee fee RMB'000	Total RMB'000
At 1 January 2021	64,297	33,543	1,346	(892)	(47,536)	(3,251)	(56)	47,451
Charged/(credited) to profit or loss	(37,758)	(8,796)	(23)	(904)	24,343	3,087	(14)	(20,065)
At 31 December 2021 and 1 January 2022	**26,539**	**24,747**	**1,323**	**(1,796)**	**(23,193)**	**(164)**	**(70)**	**27,386**
Charged/(credited) to profit or loss	**(21,379)**	**4,131**	**(900)**	**179**	**18,662**	**1,180**	**(14)**	**1,859**
At 31 December 2022	**5,160**	**28,878**	**423**	**(1,617)**	**(4,531)**	**1,016**	**(84)**	**29,245**

(c) Reconciliation to the consolidated statement of financial position

	31 December 2022 RMB'000	31 December 2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**29,245**	27,386

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(u), the Group has not recognised deferred tax assets of RMB124,125,000 (2021: RMB102,388,000) in respect of cumulative tax losses of RMB526,116,000 (2021: RMB430,159,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The remaining unused tax losses were mainly from Success Financial Leasing (RMB200,391,000), Success Guarantee (RMB121,838,000), Success Fund (RMB56,732,000) and do not expire under current tax legislation.

(e) Deferred tax liabilities not recognised

At 31 December 2022, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB436,277,000 (2021: RMB352,108,000). Deferred tax liabilities of RMB43,628,000 (2021: RMB35,211,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future (note 6(b)(iv)).

23 GOODWILL

On 14 February 2018, the Group acquired 100% ordinary shares of T. M. Management Limited, which is licensed to carry out business of Type 9 Regulated activities as defined in the Securities and Futures Ordinance. The total consideration of the transaction was HKD6,897,000 which was paid in cash, of which HKD1,290,000 has been prepaid as at 31 December 2017. This has resulted in a goodwill arising on a business combination amounted to HKD6,500,000. Since T.M. Management conduct no business activities until 31 December 2019, the Group has charged full impairment for the goodwill of T.M. Management.

24 LIABILITIES FROM GUARANTEES

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Deferred income		**22,640**	108,535
Provision of guarantee losses	(a)	**16,744**	14,998
Total		**39,384**	123,533

24 LIABILITIES FROM GUARANTEES *(continued)*

(a) Provision of guarantee losses

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
At 1 January		**14,998**	16,320
Charged/(credited) for the year	5(a)	**1,746**	(1,322)
At 31 December		**16,744**	14,998

25 PLEDGED DEPOSITS RECEIVED

Pledged deposits received represent deposits received from customers or third parties as collateral security for the online financial guarantees issued by the Group. These deposits will be refunded to the customers or third parties upon expiry of the corresponding guarantee contracts. According to the contract, these deposits are expected to be settled within one year.

26 INTEREST-BEARING BORROWINGS

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Bank borrowings	(a)	**133,980**	105,000
Total		**133,980**	105,000

(a) Bank borrowings

As at 31 December 2022, the bank borrowings of RMB50,000,000 were repayable within one year and secured.

As at 31 December 2022, banking facilities of the Group totaling RMB140,000,000 were utilized to the extent of RMB133,980,000.

No covenants relating to the Group or the subsidiary's financial ratios were required by the bank as of 31 December 2022.

27 LIABILITY COMPONENT OF CONVERTIBLE BONDS

(a) On 23 September 2021, the Company entered into a second amendment deed ("2nd Amendment Deed"). Pursuant to the 2nd Amendment Deed, certain terms of the CBs were amended, including: (i) the coupon rate of the CB was adjusted form 6% to 6.5% starting from 1 February 2020, (ii) the maturity redemption internal rate of return was adjusted from 10% to 10.5%, (iii) the maturity date of the remaining CB was extended to 31 January 2022, and (iv) the default interest is waived. For details, please refer to the Company's announcement on 24 September 2021.

Major financial requirements of the 2nd Amendment Deed CBs are as below:

– the Total Net Assets being not less than RMB445,000,000 (or its equivalent in any other currency or currencies) without taking into account the effect on the Total Net Assets caused by a change of the fair value for the Bonds;

– the Gearing Ratio being not more than seventy-five (75) percent;

The amendment resulted in the derecognition of the Amendment Deed CBs as a whole and the recognition of new financial liability and equity components of the 2nd Amendment Deed CBs and a financial asset at fair value of RMB1,943,000 (see note 21) for the early redemption option.

The 2nd Amendment Deed CBs contain two components, the liability and equity components. The initial fair value of the liability component was estimated to be approximately HKD71,828,000 as at 23 September 2021. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The residual amount representing the value of the equity component of approximately HKD1,865,000, was presented in equity under the heading 'capital reserve'.

– the Group has converted HKD10,000,000 to 9,174,312 ordinary shares on 28 January 2021. The converted ordinary shares account for 1.69% of all ordinary shares, and increased RMB 8,288,000 share premium.

27 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

(b) On 16 May 2022, the Company entered into a third amendment deed ("3rd Amendment Deed"). Pursuant to the 3rd Amendment Deed, certain terms of the CBs were as below: (i) the coupon rate of the CB remains at 6.5% starting from 1 February 2022, (ii) the maturity redemption internal rate of return remains at 10.5%, (iii) the maturity date of the remaining CB was extended to 31 January 2023, and (iv) the default interest is waived. For details, please refer to the Company's announcement on 10 June 2022.

Major financial requirements of the 3rd Amendment Deed CBs are as below:

– the Total Net Assets being not less than RMB445,000,000 (or its equivalent in any other currency or currencies) without taking into account the effect on the Total Net Assets caused by a change of the fair value for the Bonds;

– the Gearing Ratio being not more than seventy-five (75) percent;

The amendment resulted in the derecognition of the Amendment Deed CBs as a whole and the recognition of new financial liability and equity components of the 3rd Amendment Deed CBs and a financial asset at fair value of RMB2,961,000 (see note 21) for the early redemption option.

The 3rd Amendment Deed CBs contain two components, the liability and equity components. The initial fair value of the liability component was estimated to be approximately HKD54,803,000 as at 16 May 2022. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The residual amount representing the value of the equity component of approximately HKD6,235,000, was presented in equity under the heading 'capital reserve'.

27 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

(d) *(continued)*

Pursuant to the Third Supplemental Deed of Amendment, Expert Depot has agreed to pledge the 110,000,000 Shares in its CCBI Account in favour of the Purchaser to secure all sums that remain due and payable under the Convertible Bonds by the Company to the Purchaser. As at the date of this report, Expert Depot holds a total of 121,490,000 Shares, representing approximately 22.19% of the total issued Shares and the pledged shares represent approximately 20.09% of the total issued Shares. Expert Depot is directly wholly owned by Mr. Zhang Tiewei.

– the Group has converted HKD5,000,000 to 4,587,156 ordinary shares on 18 January 2022. The converted ordinary shares account for 0.83% of all ordinary shares, and increased RMB 4,039,000 share premium.

– the Group has repaid the convertible bonds including interest amounted of HKD501,095 in February 2022.

– the Group has converted HKD5,000,000 to 4,587,156 ordinary shares on 13 June 2022. The converted ordinary shares account for 0.83% of all ordinary shares, and increased RMB 4,259,000 share premium.

– the Group has repaid the convertible bonds including interest amounted of HKD4,621,000 in August 2022.

– The convertible bonds have expired on 31 January 2023.

27 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

The movements of components of the CBs, 2nd Amendment Deed CBs and 3rd Amendment Deed CBs during the period are set out below:

	Liability component RMB'000	**Equity component** RMB'000
At 31 December 2020 and 1 January 2021	60,015	11,096
Conversion during the year	(7,128)	(1,500)
Net change in interest and fees payable	4,963	–
Exchange adjustment	(5,120)	–
At 23 September 2021 before modification	52,730	9,596
Derecognition of the CBs	(52,730)	(9,596)
Recognition of the New CBs upon modification	58,726	1,525
Net change in interest and fees payable	(1,782)	–
Exchange adjustment	1,709	–
At 31 December 2021 and 1 January 2022	58,653	1,525
Conversion during the Period	(4,588)	(119)
Net change in interest and fees payable	(1,058)	–
Repayment of CBs	(408)	–
Exchange adjustment	5,059	–
At 16 May 2022 before modification	57,658	1,406
Derecognition of the CBs	(57,658)	(1,406)
Recognition of the New CBs upon modification	47,384	5,390
Conversion after modification	(4,184)	(458)
Repayment of CBS	(3,950)	–
Net change in interest and fees payable	972	–
Exchange adjustment	4,004	–
At 31 December 2022	44,226	4,932

28 ACCRUALS AND OTHER PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Accruals and other payables	**35,666**	44,912

(i) Accruals and other payables are expected to be settled within one year or time dependent but both of them are repayable on demand.

29 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	31 December 2022		31 December 2021	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**1,730**	**1,792**	1,832	1,875
After 1 year but within 2 years	**1,552**	**1,680**	1,624	1,753
After 2 years but within 5 years	**1,786**	**2,088**	2,638	3,080
After 5 years	**7,919**	**16,612**	8,035	17,285
	11,257	**20,380**	12,297	22,118
	12,987	**22,172**	14,129	23,993
Less: total future interest expenses		**(9,185)**		(9,864)
Present value of lease liabilities		**12,987**		14,129

(Expressed in Renminbi unless otherwise indicated)

30 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme on 18 October 2013 (the "Share Option Scheme") whereby one director and 49 employees in the Group were invited, to take up options at HKD1 to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

On 18 May 2020, the Group granted the share options (the "Post-IPO Share Options"). Upon acceptance by the relevant grantees, it has been granted 31,755,400 share options to subscribe for 31,755,400 ordinary shares of the Company at HKD0.84 each. Among 31,755,400 share options, 3,600,000 share options have been granted to directors of the board of directors, 3,155,400 share options have been granted to core employees of the Group, and 25,000,000 share options have been granted to employees of the Group with specific performance targets for incentives. These options will be exercisable at HKD0.84 per share and mature within 10 years.

(a) The terms and conditions of the grants are as follows:

Date granted	Vesting date	Expiry date	Number of share options granted			Contractual life of options
			Director	Employees	Total	
18 May 2020	18 May 2020	17 May 2030	3,600,000	3,155,400	6,755,400	10 years
	31 March 2021	17 May 2030	–	6,250,000	6,250,000	10 years
	31 March 2022	17 May 2030	–	8,750,000	8,750,000	10 years
	31 March 2023	17 May 2030	–	10,000,000	10,000,000	10 years
			3,600,000	28,155,400	31,755,400	
6 November 2013	30 June 2014	5 November 2023	500,000	4,500,000	5,000,000	10 years
	30 June 2016	5 November 2023	300,000	2,700,000	3,000,000	10 years
	30 June 2018	5 November 2023	200,000	1,800,000	2,000,000	10 years
			1,000,000	9,000,000	10,000,000	

30 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

Date granted 18 May 2020	2022 Exercise price	2022 Number of options '000	2021 Exercise price	2021 Number of options '000
Granted and outstanding on grant day	**HKD 0.84**	**31,605**	HKD 0.84	31,755
Forfeited during the period/year	**HKD 0.84**	**(30)**	HKD 0.84	(120)
Exercised during the period/year	**HKD 0.84**	**(120)**	HKD 0.84	(30)
Granted and outstanding at the end of the period/year	**HKD 0.84**	**31,455**	HKD 0.84	31,605
Exercisable at the end of the period/year	**HKD 0.84**	**31,455**	HKD 0.84	31,605

Date granted 6 November 2013	2022 Exercise price	2022 Number of options	2021 Exercise price	2021 Number of options
Granted and outstanding at the beginning of the year	**HKD1.90**	**6,448**	HKD1.90	6,473
Forfeited during the year	**HKD1.90**	**(40)**	HKD1.90	(25)
Exercised during the year	**HKD1.90**	**–**	HKD1.90	–
Granted and outstanding at the end of the year	**HKD1.90**	**6,408**	HKD1.90	6,448
Exercisable at the end of the year	**HKD1.90**	**6,408**	HKD1.90	6,448

Note: The options outstanding at 31 December 2022 had an exercise price of HKD0.84 or HKD1.90 and a weighted average remaining contractual life of 7.38 years or 0.84 years (31 December 2021: 8.4 years or 1.8 years).

(Expressed in Renminbi unless otherwise indicated)

30 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value and assumptions of share options granted on 18 May 2020

Fair value (weighted average) per share option at measurement date	HKD0.42
Share price	HKD0.84
Exercise price	HKD0.84
Expected volatility rate	52%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	0.55%

Fair value and assumptions of share options granted on 6 November 2013

Fair value (weighted average) per share option at measurement date	HKD1.60
Share price	HKD2.68
Exercise price	HKD1.90
Expected volatility rate	65%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.87%

The expected volatility is based on the historic volatilities of the share prices of the comparable companies in recent years around the date of valuation. Changes in the subjective input assumptions could materially affect the fair value estimate.

The risk-free rate of interest with expected term shown above was taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no other market conditions associated with the share options grants.

31 SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company					
	Share capital RMB'000 Note 31(c)	Share premium RMB'000 Note 31(d)	Capital reserve RMB'000 Note 31(e)	Exchange reserve RMB'000 Note 31(h)	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2020	4,266	453,048	25,094	25,565	(121,335)	386,638
Changes in equity for 2021:						
Gain for the year	–	–	–	–	891	(891)
Exchange differences on translation of financial statement	–	–	–	(10,198)	–	(10,198)
Total comprehensive income	–	–	–	(10,198)	891	(11,089)
Convertible bonds & exercise share option	77	7,135	(10,166)	–	6,166	7,212
Shares issued under share option scheme	–	–	3,379	–	–	1,161
Balance at 31 December 2021	4,343	460,183	18,307	15,367	(114,278)	383,922

31 SHARE CAPITAL AND RESERVES *(continued)*

(a) Movements in components of equity *(continued)*

	The Company					
	Share capital RMB'000 Note 31(c)	Share premium RMB'000 Note 31(d)	Capital reserve RMB'000 Note 31(e)	Exchange reserve RMB'000 Note 31(h)	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2021	4,343	460,183	18,307	15,367	(114,278)	383,922
Changes in equity for 2022:						
Loss for the year	–	–	–	–	(14,759)	(14,759)
Exchange differences on translation of financial statement	–	–	–	35,853	–	35,853
Total comprehensive income	–	–	–	35,853	(14,759)	21,094
Convertible bonds & exercise share option	77	8,383	3,778	–	(3,778)	8,460
Shares issued under share option scheme	–	–	1,646	–	–	1,646
Balance at 31 December 2022	4,420	468,566	23,731	51,220	(132,815)	415,122

(b) Dividends

The Company did not declare dividend through the year of 2022 and 2021. Thus, there is no balance for dividend payable at 31 December 2022.

31 SHARE CAPITAL AND RESERVES *(continued)*

(c) Share capital

Authorised and issued share capital

	2022			2021		
	No. of shares '000	Share capital HKD'000	Share capital RMB'000	No. of shares '000	Share capital HKD'000	Share capital RMB'000
Authorised:						
Ordinary shares of HKD0.01 each	800,000	8,000	6,512	800,000	8,000	6,512
Ordinary shares, issued and fully paid:						
At 1 January	543,013	5,430	4,343	533,809	5,338	4,266
Convertible bonds converted into shares & exercise share option	9,294	93	77	9,204	92	77
At 31 December	552,307	5,523	4,420	543,013	5,430	4,343

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Share premium

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

31 SHARE CAPITAL AND RESERVES *(continued)*

(e) Capital reserve

The capital reserve comprises the following:

– the difference between the nominal value of share capital of the Company and the paid-up capital of Success Guarantee, plus the net assets acquired from the inserting companies (holding companies of Success Guarantee, including the Company, Double Chance, Success Finance and Success Asset) pursuant to a group reorganisation completed on 17 September 2012;

– the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payment in note 1(t)(ii);

– the amount allocated to the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 1(s).

– the waiver of debts from related parties in 2013.

– On 18 May 2020, the Group granted 31,755,400 share options to directors and key personnel. Amortization of the share options in the current period from the amounts.

(f) Surplus reserve

Surplus reserve comprises statutory surplus reserve and discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

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

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

31 SHARE CAPITAL AND RESERVES *(continued)*

(g) Regulatory reserve

According to the Interim Measures for the Administration of Financial Guarantee Companies ("Interim Measures") issued at 8 March 2010 by the relevant government authorities in the PRC, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC. The Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011. According to the details implementation guidance No. 149 issued by the People's Government of Guangdong Province on the Interim Measures, the use of the aforementioned regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guangdong Province.

(h) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 1(y).

(i) Distributability of reserves

At 31 December 2022, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was RMB410,702,000 (2021: RMB379,579,000).

The directors had not proposed any dividends distribution for the years ended 31 December 2022 and 2021.

(j) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

31 SHARE CAPITAL AND RESERVES *(continued)*

(j) Capital managementl *(continued)*

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at 31 December 2022 and 2021 was as follows:

	Note	**2022 RMB'000**	2021 RMB'000
Current liabilities:			
Lease liabilities	29	**1,730**	1,832
Non-current liabilities:			
Interest-bearing borrowings	26	**133,980**	105,000
Lease liabilities	29	**11,257**	12,297
Total debt		**146,967**	119,129
Less: Cash and cash equivalents	11	**29,981**	29,723
Adjusted net debt		**116,986**	89,406
Total equity		**336,857**	409,476
Adjusted net debt-to-capital ratio		**35%**	22%

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk primarily arises from the possibility that a customer or counterparty in the transaction may default, leading to losses. Credit risk is primarily attributable to outstanding guarantees issued by the Group, financial leasing service, factoring receivable and down payments for investment. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks, which the Group considers to represent low credit risk. The group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

The Group has entered into financial guarantee contracts in which it has guaranteed the financial institutions (including the banks) the repayment of loans entered into by customers of the Group. The Group has the obligation to compensate the financial institutions for the losses they would suffer if customers fail to repay.

The Group acts prudently in its assessments and approval of guarantee and adopts stringent credit risk assessment policy to mitigate against credit risk. The credit risk assessment procedure would commence with the project manager collecting identification and relevant corporate and financial documents from the customer. The project manager conducts due diligence on the customer and prepare and provide the risk management department an initial assessment report and due diligence report. The risk management department will review the reports together with the information collected from the customer and may request further information from the customer for credit risk assessment. Members of the risk management department may verify the information collected by conducting further due diligence on the customer. Once approval from the risk management department is obtained, recommendation will be made to the guarantee assessment committee for further approval of the guarantee. Members of the guarantee assessment committee may conduct further due diligence on the customer as and when appropriate.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

In considering a guarantee application, the Group primarily focuses on considering the loan repayment capability and creditworthiness of a customer. The value of collaterals provided for a guarantee application is supplementary assurance. The Group's customers are first required to pass the lender's credit and risk assessments before engaging the Group's guarantee services. The Group provides guarantee services based on assessment of the customers' loan repayment capability according to the Group's analysis of their operational and financial information gathered in the due diligence process. As such, the Group did not adopt prescribed loan-to-value ratio to assess guarantee applications. The loan-to-value ratio is generally required to be below 100% for successful guarantee applications i.e. the outstanding guarantee amount is fully secured by the value of the relevant collaterals.

The Group has established guidelines on the acceptability of various classes of collateral and determined the corresponding valuation parameters. The guidelines and collateral valuation parameters are subject to regular reviews to ensure their effectiveness over credit risk management. The extent of collateral coverage over the Group's outstanding guarantees depends on the type of customers and the product offered. Types of collateral mainly include land use rights, machineries and equipment, properties and vehicles, etc. As at 31 December 2022, the carrying value of outstanding guarantees of RMB923,552,000 (2021: RMB1,542,822,000) is fully or partially covered by collateral.

(i) Risk concentration

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to specific industries or geographical locations. As the Group mainly operates its businesses in Guangdong Province of the PRC, there exists a certain level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the local economic conditions.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(i) Risk concentration *(continued)*

As at 31 December 2019, the Group has a group of customers that was in the construction industry sector at Foshan in financial difficulties. The banks of this group of customers have packed their debts as assets packages and sold the assets packages to two asset management companies. Instead of arranging restructuring of these purchased debts for this group of customers, these two asset management companies announced to dispose of the collaterals in assets packages in April 2019 and June 2019, respectively. These customers have ceased their operation, accordingly. Shunde District People's court has accepted the bankruptcy liquidation of these customers, Ltd. at December 1, 2020, and held the first creditors' meeting on March 9, 2021. These indicators significantly increase the uncertainty of recoverability for the receivables from this group of customers. In view of these circumstances, the directors have given careful consideration and performed assessment on the future recoverability of the receivables due from this group of customers. In view of these circumstances, the Group has made impairment allowances of RMB227,718,000 in total as at 31 December 2022 (2021: RMB241,918,000) (notes 13, 14 and 15).

Due to the default of real estate developers and the impact of COVID-19, a group of customers faced severe cash flow issues. These indicators significantly increase the uncertainty of recoverability for the receivables from this group of customers. In view of these circumstances, the Group has made impairment allowances of RMB208,764,000 in total as at 31 December 2022 (2021: RMB233,306,000) (notes 13, 14 and 15).

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(i) Risk concentration *(continued)*

The maximum exposure to credit risk in respect of these guarantees as at 31 December is as follows:

	2022		2021	
	RMB'000	%	RMB'000	%
Traditional financial services	52,015	6%	100,856	7%
Online financial services	728,019	78%	993,166	64%
Construction and installation	77,129	8%	365,371	24%
Wholesale and retailing	63,280	7%	61,500	4%
Others	3,109	1%	21,929	1%
Total	923,552	100%	1,542,822	100%

The maximum exposure to credit risk in respect of receivables from guarantee payments, financial leasing service, factoring receivable and down payments for investments as at 31 December is as follows:

	2022		2021	
	RMB'000	%	RMB'000	%
Construction and installation	48,913	25%	48,405	27%
Business service	58,690	30%	54,962	30%
Wholesale and retailing	42,136	21%	30,059	17%
Financial services	39,497	20%	37,448	21%
Others	9,042	4%	9,087	5%
Total	198,278	100%	179,961	100%

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures allowances for loss of different assets with 12-month ECL or lifetime ECL, respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss allowances for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the counterparty is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly;
- Significant changes with an adverse effect that have taken place in the counterparty's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the counterparty's operating conditions;
- Less value of the collaterals;
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of guarantees;
- The payment is more than 30 days past due.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL *(continued)*

Significant increase in credit risk (continued)

The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at 31 December 2022, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

Definition of "default" and "credit-impaired assets"

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

The financial asset is more than 90 days past due.

The counterparty meets the criterion of "having difficulty in repayment", which indicates that the counterparty has significant financial difficulty, including:

– the counterparty has been in the grace period for a long time;

– the death of the counterparty;

– the counterparty enters bankruptcy;

– the counterparty breaches (one or more) terms of the contract that the debtor shall be subject to;

– the disappearance of an active market for the related financial asset because of financial difficulties faced by the counterparty;

– the creditor make concessions due to the financial difficulties faced by the counterparty;

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) ***Measurement of ECL*** *(continued)*

Definition of "default" and "credit-impaired assets" (continued)

– it becomes probable that the counterparty will enter bankruptcy;

– a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired.

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

– PD refers to the likelihood that a counterparty will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the guarantee;

– EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the guarantee;

– LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL *(continued)*

Notes to the parameters, assumptions and valuation techniques (continued)

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

– In respect of the guarantees with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the counterparty.

– In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the "credit conversion factor", so as to predict the exposure at default. Based on the Group's analysis on recent default data, these assumptions vary based on differences in product type and utilization rate of the limits.

– The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL (continued)

Notes to the parameters, assumptions and valuation techniques (continued)

– As to guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.

– Forward-looking economic information should be considered when determining the 12- month and lifetime PD, EAD and LGD.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, increase in RMB loans, PPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

The Group's other credit risk is attributable to bank deposits and security deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits and security deposits of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

During year 2022, Covid-19 has a great impact on the macro economy, the Group considers the related effects in the ECL model and the relevant amount has no significant influence on the allowances.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Market risk

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group's on-balance sheet and off-balance sheet businesses. The Group's market risk mainly arises from currency risk and interest rate risk.

(i) Currency risk

The Group's businesses are principally conducted in RMB, while most of the Group's monetary assets and liabilities are denominated in HKD and RMB. At the end of the reporting period, the recognised assets or liabilities are mainly denominated in the functional currency of the Group entity to which they relate. Accordingly, the directors considered the Group's exposure to foreign currency risk is not significant during the year.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict to foreign currencies for current account transactions in the future.

Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividend in foreign currencies to its equity shareholders.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is principally engaged in the provision of guarantee service, finance lease service, factoring service and related consulting services to SME enterprises in the PRC. Its interest rate risk arises primarily from deposits with banks, factoring receivable, finance lease receivable and obligations under finance leases.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Market risk *(continued)*

(iii) Interest rate profile

The following tables detail the interest rate profile of the Group's assets and liabilities as of the end of the years:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Fixed interest rate		
Financial liabilities		
– Obligations under finance leases	**–**	(48)
– Interest-bearing borrowings	**(133,980)**	(105,000)
– Lease liabilities	**(12,987)**	(14,129)
	(146,967)	(119,177)
Variable interest rate		
Financial assets		
– Cash and bank deposits	**29,825**	29,655
	29,825	29,655

(iv) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses for the next 12 months by approximately RMB112,000 (2021: RMB111,000).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non derivative instruments held by the Group at the end of the reporting period. The impact on the Group's retained loss after taxation is estimated as an annualised impact on interest expense or income of such a change in interest rates.

The analysis is performed on the same basis as 2021.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Pursuant to the subscription agreement of the bond, there are financial covenants that the Group's total net assets should be not less than RMB445,000,000 without taking into account the effect on the net assets caused by a change of fair value for the bond and the Group's gearing ratio, as defined in the subscription agreement, should not be more than 75 percent. As at 31 December 2022, the Group's total net assets was less than RMB445,000,000 and the Group's gearing ratio is lower than 75 percent. Accordingly, the bond is subject to the bond Purchaser's right of repayment on demand. The bond Purchaser also has the right to confiscate the pledged 110,000,000 shares of the Group, held by Mr. Zhang Tiewei. Up to the date of approval of these financial statements, the Group has not received any demand notice from Purchaser of the bond for immediate repayment.

The Group is conducting capital management arrangements to manage the Group's liquidity needs and to improve the Group's financial position which include, but are not limited to, the following:

– As at 31 December 2020, all the Note payable has been repaid by the Group.

– Mr. Zhang Tiewei, the chairman and executive director, would continue to provide personal guarantee and deposit no less than 110,000,000 shares of the Group in the bond Purchaser's account for the bond; and

– the Group is negotiating with the bond's Purchaser for renewal of the financial covenants clauses and extension of the subscription agreement of the bond. The renewed agreement is still under processing by lawyers up to the date of these financial statements.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflows as at 31 December 2022						
	Carrying amount RMB'000	Contractual undiscounted cash outflows RMB'000	Repayable on demand RMB'000	Within one year RMB'000	two years or less but over one year RMB'000	Five years or less but over two years RMB'000	over five years RMB'000
Non-derivatives financial liabilities							
Liability component of convertible bonds	44,226	45,633	45,633	–	–	–	–
Lease Liabilities	12,987	22,172	–	1,792	1,680	2,088	16,612
Interest-bearing borrowings	133,980	133,980	–	50,000	–	–	83,980
Total	191,193	201,785	45,633	51,792	1,680	2,088	100,592
Guarantees							
Financial guarantee	81,280	81,280	–	81,280	–	–	–
Online financial services	728,019	728,019	728,019	–	–	–	–
Performance guarantee	114,253	114,253	–	84,033	1,808	28,412	–
Litigation guarantee	–	–	–	–	–	–	–
Maximum guarantees exposure	923,552	923,552	728,019	165,313	1,808	28,412	–

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

	Contractual undiscounted cash outflows as at 31 December 2021						
	Carrying amount RMB'000	Contractual undiscounted cash outflows RMB'000	Repayable on demand RMB'000	Within one year RMB'000	two years or less but over one year RMB'000	Five years or less but over two years RMB'000	over five years RMB'000
Non-derivatives financial liabilities							
Liability component of convertible bonds	58,653	54,242	54,242	–	–	–	–
Lease Liabilities	14,129	23,993	–	1,875	1,753	3,080	17,285
Interest-bearing borrowings	105,000	105,000	–	36,000	8,000	32,000	29,000
Total	177,782	183,235	54,242	37,875	9,753	35,080	46,285
Guarantees							
Financial guarantee	104,783	104,783	23,783	81,000	–	–	–
Online financial services	993,166	993,166	993,166	–	–	–	–
Performance guarantee	364,942	364,942	6,000	289,140	39,582	30,220	–
Litigation guarantee	79,931	79,931	34,800	45,131	–	–	–
Maximum guarantees exposure	1,542,822	1,542,822	1,057,749	415,271	39,582	30,220	–

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Financial assets			
Factoring receivable	14	**18,503**	23,933
Financial liabilities			
Lease liabilities	29	**1,730**	1,832
Liability component of convertible bonds	27	**44,226**	58,653
Interest-bearing borrowings	26	**133,980**	105,000

For the cash and cash equivalents of the Group as at 31 December 2022 and 31 December 2021, please refer to note 11.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Financial assets			
Other financial assets	21	**6,964**	46,673
Financial liabilities			
Lease liabilities	29	**11,257**	12,297

(d) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations : Fair value measured using significant unobservable inputs.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Fair value measurement *(continued)*

(i) *Financial assets measured at fair value* *(continued)*

Fair value hierarchy *(continued)*

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into Level 3 RMB'000	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into RMB'000
Recurring fair value measurements				
Assets:				
Equity investments	4,003	4,003	44,698	44,698
Conversion option embedded in convertible notes	2,961	2,961	1,943	1,943
Repurchase option	–	–	32	32

As at 31 December 2022, the Group held only one other financial asset, which was an equity investment in an unlisted company (note 21), with fair value measurement categorised into level 3.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Fair value measurement *(continued)*

(i) Financial assets measured at fair value (continued)

Information about Level 3 fair value measurements

The fair value of unlisted equity investment is determined using the sales comparison approach for the land element of the property and depreciated replacement cost approach for the improvement of the property.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Financial assets measured at FVTPL:		
At 1 January	**46,673**	64,187
Additional investment acquired	**–**	–
Conversion option embedded in convertible bonds	**1,018**	1,943
Repurchase option	**(32)**	32
Changes in fair value recognised in profit or loss during the year	**(40,695)**	(19,489)
At 31 December	**6,964**	46,673

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and as at 31 December 2021.

The following summarises the major methods and assumptions used in estimating the fair value of financial instruments.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Fair value measurement *(continued)*

(ii) Fair values of financial assets and liabilities carried at other than fair value (continued)

(i) Trade and other receivables, factoring receivable and finance lease receivable

Trade and other receivables, factoring receivable and finance lease receivable are initially recognised at fair value and thereafter stated at amortised cost less allowances for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

(ii) Guarantees issued

The fair value of guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iii) Interest rates used for determining fair value

The market interest rates adopted for determining the fair value of trade and other receivables are ranging from 2.10% to 2.64% as on 31 December 2022 (2021: 2.03% to 2.57%).

33 COMMITMENTS

There were no capital commitments outstanding at 31 December 2022 and 31 December 2021.

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the year, transactions with the following parties are considered as related parties:

Name of related party	Relationship
Mr. Zhang Tiewei	A substantial shareholder, chairman and executive director
Mr. Xu Kaiying	A substantial shareholder and executive director
Mr. Pang Haoquan	A substantial shareholder and executive director
Mr. Li Bin	Chief executive officer and executive director
Ms. Dai Jing	Chief operation officer and executive director
Mr. Tsang Hung Kei	Independent non-executive director
Mr. Au Tien Chee Arthur	Independent non-executive director
Mr. Xu Yan	Independent non-executive director
Mr. Zhou Xiaojiang	Independent non-executive director
Foshan Finance (佛山市集成金融集團有限公司)	A company of which 100% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Success Credit (佛山市禪城集成小額貸款有限公司)	Associate of the Group since 18 December 2012
Guangdong Success Data Co., Ltd. ("Success Data") (廣東集成數據有限公司)	A company of which 70% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Guangzhou Hengsheng Fund Management Co., Ltd. (廣州恒晟基金管理有限公司)	A company of which 40% interest is held by Success Fund
Guangdong Success Venture Capital Co., Ltd. (廣東集成創業投資有限公司)	A company of which 45% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan

34 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 7, certain of the highest paid employees as disclosed in note 8 and two other key management personnel, is as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and other benefits	**12,955**	12,714
Contributions to defined contribution retirement plan	**177**	17
Equity compensation benefits	**–**	–
Total	**13,132**	12,731

Total remuneration is included in "staff costs" (note 5(b)).

(c) Related parties transactions

	2022 RMB'000	2021 RMB'000
Service fee expense	**(1,510)**	(1,600)
Total	**(1,510)**	(1,600)

34 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with other related parties

At the end of the reporting period, the Group had the following balances with related parties:

Amounts due from related parties

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Success Credit	(i)	**–**	–
Grace Creative Corporation Limited		**6,614**	7,221
Success Data	13	**–**	1,750
Total		**6,614**	8,971

(i) On 20 March 2014,the shareholders of Success Credit approved to make a dividend with an amount of RMB15,000,000 to its shareholders. Success Guarantee receives a dividend in 2022 in the amount of RMB2,730,000. On 31 December 2022, the balance on borrowings from Success Guarantee to Success Credit is RMB5,633,000, which includes a principal of RMB3,480,000 and an interest of RMB2,153,000. The interest rate of this borrowing is 12%. Based on the operating condition of Success Credit, impairment has been made for interest receivable.

(e) Equity pledges

As disclosed in Note 27(d), Mr. Zhang Tiewei pledge the 110,000,000 Shares in its CCBI Account in favour of the Purchaser to secure all sums that remain due and payable under the Convertible Bonds by the Company to the Purchaser.

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Assets			
Cash and bank deposits		**163**	2,082
Trade and other receivables		**460,697**	440,044
Investment in subsidiaries	16	**24,154**	20,917
Financial assets at fair value through profit or loss		**2,961**	1,943
Property, plant and equipment		**97**	278
Total assets		**488,072**	465,264
Liabilities			
Liability component of convertible bonds		**44,226**	58,653
Accruals and other payables		**28,630**	22,689
Lease liabilities		**94**	–
Total liabilities		**72,950**	81,342
NET ASSETS		**415,122**	383,922
CAPITAL AND RESERVES			
Share capital	31(c)	**4,420**	4,343
Reserves		**410,702**	379,579
TOTAL EQUITY		**415,122**	383,922

Approved and authorised for issue by the board of directors on 30 March 2023.

張鐵偉	李斌
Zhang Tiewei	**Li Bin**
Director	*Director*

(Expressed in Renminbi unless otherwise indicated)

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

As at 20 January 2023,the Group has repaid the convertible bonds including interest amounted of HKD9,637,000.After the repayment,the total face value of convertible bonds decreased to HKD40,000,000.The convertible bonds are in the process of renewal which is subject to the final approval of the bond's Purchaser.

37 COMPARATIVE FIGURES

As a result of the reclassification of reserves and inter-segment assets and liabilities, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed in 2022.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amended standards which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2*, Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.