Wealthy Way Group Limited

富道集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3848

ANNUAL REPORT 2022

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This annual report is printed on environmentally friendly paper

Corporate Information

COMPANY NAME

Wealthy Way Group Limited

STOCK CODE

03848

BOARD OF DIRECTORS

Executive Directors

Mr. LO Wai Ho *(Chairman)*
Mr. XIE Weiquan

Independent Non-Executive Directors

Mr. HA Tak Kong
Mr. IP Chi Wai
Mr. KAM Wai Man

AUDIT COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. IP Chi Wai
Mr. KAM Wai Man

REMUNERATION COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. LO Wai Ho
Mr. IP Chi Wai

NOMINATION COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. LO Wai Ho
Mr. IP Chi Wai

COMPANY SECRETARY

Mr. LAM Yau Hin

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3402, 34/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

COMPANY WEBSITE

http://www.cwl.com

AUDITOR

Moore Stephens CPA Limited
801–806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
No. 69, Jianguomen Nei Avenue
Dongcheng District
Beijing
PRC

Guangdong Huaxing Bank
No. 533, Tian He Street
Tian He District, Guangzhou
Guangdong Province
PRC

KEY DATES

24 May 2022 (Wednesday) to 30 May 2022 (Tuesday)
(both dates inclusive)
Closure of Register of Members
(for Annual General Meeting)

30 May 2022 (Tuesday)
Annual General Meeting

Chairman's Statement

On behalf of the board of directors (the "Board") of Wealthy Way Group, I am pleased to present the annual results of the Group for the year ended 31 December 2022 to our shareholders. During the year, we focus on the small loan business, the small loan has developed into the core business of the Group, laying a good foundation for the Group's development.

In 2022, the global and domestic economic environments remained complicated as COVID-19 seriously affected the economy of both China and the world. The Group has proactively maximised shareholders' interests by flexibly adjusting the existing financial leasing and small loan businesses according to the changing operating environment. The Group has shifted the focus of its business portfolio to real estate products involving second mortgages by providing flexible secured loans targeting property owners in Shenzhen and the surrounding areas, and has achieved good operating results. The small loan business has contribute more than 90% of the revenue of the Group. In the coming year, the Group will allocate more resources in the business development. Shenzhen Haosen Credit Joint Stock Limited, a wholly-owned subsidiary of the Group, has been approved for internet small loan business. Technological innovation is a significant driver for business development. Embraced the new internet technology, the Company will provide a better product experience for customers to expand the market share of the Company and brand influence.

As the impact of the outbreak of COVID-19 on the economy lingers on, the global and domestic business environments will continue to fluctuate. As such, the Group will strive to adjust its operating strategies in a flexible way in response to the changing economic environment, optimise the allocation of resources within the Group, and optimise various business processes. Under the complicated economic environment, we aim to develop the Company at a steady pace by realising synergy between subsidiaries and remaining prudent in seeking new customers. I would like to express my heartfelt gratitude to all employees for their efforts and contributions made towards the development of the Company, as well as our business partners and customers for their relentless support.

Maintaining good corporate governance is crucial to the sustainable and healthy development of a company. We will continue to improve and optimise our corporate governance by meeting best practices and stakeholders' expectations. We will implement our corporate governance system and incorporate the optimisation of departmental functions and authorisation management in our business execution so as to ensure the long-term stability and effectiveness of our corporate governance structure. We will remain focused on developing healthy and friendly relationships with our customers and business partners with our current prudent, risk-averse operating approach, in order to grow together with our customers and create value for society.

LO Wai Ho
Wealthy Way Group Limited
Chairman and Chief Executive Officer

Hong Kong, 24 March 2023

BUSINESS OVERVIEW

The macro environment in the PRC was still subject to many uncertainties in the 2022. The outbreak of the COVID-19 pandemic ("COVID-19") continued to have an impact on the Chinese economies. In China, the economy continued to be hit hard by sporadic COVID-19 cases, hence it is still in the process of adjustment and recovery. In the said reporting period, revenue of the Group was mainly derived from financial leasing interest income, loan interest income, which accounted for approximately RMB3.1 million, RMB94.8 million of the total revenue of the Group, respectively.

In 2022, the Company adjusted its business strategy in response to the economic environment and the impact brought about by the COVID-19 pandemic. In relation to its financial leasing and factoring business, in view of the economic uncertainties posed by COVID-19, the Company is constantly adjusting relevant human resources based on the changes of the market environment, such that the optimized allocation of resources can allow us to enhance our operational efficiency. Our leasing and factoring business is in the process of adjustment, hence there is a significant decline in the relevant business revenue. In relation to our small loan business, the Company has focus on the real estate products involving second mortgages in the Shenzhen market. In this year, the market situation of the real estate industry had changed seriously. Based on the relevant policy changes, the Company will adjust business strategies in relation to our small loan business, so as to maintenance our share in Shenzhen's second mortgage loan market. The Group's securities dealing business mainly refers to the provision of securities dealing services to customers in Hong Kong through Grand Partners Securities Limited, a wholly-owned subsidiary of the Company.

The management will continue to pay attention to the impact of relevant factors on our business operations and enhance relevant risk management measures. The provision of small loans to individual customers and other small private companies will allow us to expand our customer base. The Group will also provide flexible financing services to potential customers of different sizes in various industries.

FINANCIAL REVIEW

The following discussion and analysis pertains to the financial information of the Group.

Revenue

The Group's revenue was derived from (i) interest income from financial leasing; (ii) financial leasing related advisory services income; (iii) other financial advisory services income; (iv) loan facilitation service income; (v) interest income from small loans and other loans; (vi) commission and brokerage income from security dealing; and (vii) interest income from margin financing. The Group's financial leasing services include sale-leaseback as well as direct financial leasing.

The revenue recorded a decrease by approximately RMB14.3 million, or approximately 13%, from approximately RMB113.9 million for the year ended 31 December 2021 to approximately RMB99.6 million for the year ended 31 December 2022. The decrease was mainly resulted from the slowdown of the economy in the PRC under the impact of COVID-19 resulting in less new origination of financial leasing and factoring contracts.

For the year ended 31 December 2022, the interest income from financial leasing contributed approximately RMB3.1 million (2021: approximately RMB17.8 million). The decrease was mainly resulted from less origination of new financial leasing contracts and the Company had allocated the resource to small loan business.

The Group provided loan facilitation service which contributed approximately RMB0.38 million to the revenue for the year ended 31 December 2022 (2021: approximately RMB12.2 million). The decrease of loan facilitation service was mainly resulted from the switch from unsecured credit loans to second mortgage loan market.

The Group also derived interest income from small loans through a wholly-owned subsidiary, Shenzhen Haosen Credit Joint Stock Limited ("Shenzhen Haosen"), contributing at aggregate of approximately RMB94.8 million (2021: approximately RMB74.1 million) and interest income from other loans of approximately RMB0.3 million (2021: approximately RMB1.8 million) was contributed by our wholly-owned subsidiary, Grand Partners Finance Limited, for the year ended 31 December 2022. The Group also recorded commission and brokerage income from security dealing contributing approximately RMB0.7 million (2021: approximately RMB1.5 million), while the interest income from margin financing also contributed approximately RMB0.3 million (2021: approximately RMB1.0 million) from our wholly-owned subsidiary, Grand Partners Securities Limited, for the year ended 31 December 2022.

The Directors intend to focus on the small loan business in the future.

Other income

Other income increased by approximately RMB7.5 million, or approximately 69%, from approximately RMB10.8 million for the year ended 31 December 2021 to approximately RMB18.3 million for the year ended 31 December 2022, mainly due to (i) an approximately RMB1.5 million increase in the dividend income derived from financial assets at FVOCI, (ii) RMB2.9 million derived from bad debt recovery; (iii) RMB2.7 million derived from referral fee income.

Employee benefit expenses

Employee benefit expenses included primarily employee salaries and costs associated with other benefits. The employee benefit expenses decreased by approximately RMB0.5 million, or approximately 2%, from approximately RMB22.7 million for the year ended 31 December 2021 to approximately RMB22.1 million for the year ended 31 December 2022.

Other operating expenses

Other operating expenses mainly consisted of (i) audit fee of approximately RMB0.8 million (2021: approximately RMB0.7 million); (ii) building management fee of approximately RMB0.7 million (2021: approximately RMB0.8 million); (iii) commission fee of approximately RMB4.7 million (2021: approximately RMB10.2 million) which mainly comprised of service charge of loan collection of approximately RMB3.2 million (2021: approximately RMB9.6 million) in relation to the small loan business; (iv) legal and professional fee of approximately RMB1.2 million (2021: approximately RMB2.2 million).

Finance cost

The finance cost decreased by approximately RMB5.8 million, or approximately 23%, from approximately RMB24.9 million for the year ended 31 December 2021 to approximately RMB19.1 million for the year ended 31 December 2022 mainly due to the repayment of bank and other borrowings during the year.

The Group received proceeds from the recovery of the default airline customer, GCA, through the two financial arrangements to transfer the creditor's right of GCA and a non-recourse factoring agreement to factor the creditor's rights to two independent third parties, respectively. Please refer to the Company's announcements dated 16 March 2021 and 29 March 2021 for the details of the assignment of creditor's rights and the Company's announcement dated 9 April 2021 for the details of the non-recourse factoring agreement.

Profit for the year attributable to the owners of the Company

As a result of above, profit for the year attributable to the owners of the Company for the year ended 31 December 2022 was approximately RMB24.1 million, whereas profit for the year ended 31 December 2021 was approximately RMB30.6 million.

Dividend

The Board recommend the payment of a final dividend HK3 cents per share to shareholders of the Company for the year ended 31 December 2022 (2021: HK3 cents per share).

Liquidity, financial resources and capital resources

As at 31 December 2022, the cash and cash equivalents were approximately RMB58.3 million (2021: approximately RMB100.2 million). The working capital (current assets less current liabilities) and the total equity of the Group were approximately RMB185.6 million (2021: approximately RMB236.8 million) and approximately RMB554.4 million (2021: approximately RMB541.1 million), respectively. The drop in working capital is mainly due to the early redeem of the promissory note.

As at 31 December 2022, the Group's bank borrowings with maturity within one year amounted to approximately RMB100.0 million (2021: approximately RMB99.2 million) and the Group's bank borrowings with maturity exceed one year decreased to nil (2021: Nil).

Gearing ratio (total bank and other borrowings/total equity) as at 31 December 2022 was approximately 18.0% (2021: approximately 18.3%).

Loan and account receivables

Loan and account receivables consisted of (i) financial leasing receivables including the principal and interest of financial leasing; (ii) factoring loan receivables; (iii) small loan receivables; (iv) other loan receivables; and (v) account receivables in respect of securities dealing and broking services, financial advisory and loan facilitation services. As at 31 December 2022, the loan and account receivables were approximately RMB613.4 million (2021: approximately RMB594.7 million), and this increase was mainly due to the increase in small loan receivables.

Capital commitments

As at 31 December 2022, the Group had no capital commitments contracted but not provided for (2021: Nil).

Employees and remuneration policy

As at 31 December 2022, the Group employed 75 full time employees (2021: 71) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB22.1 million for the year ended 31 December 2022 (2021: approximately RMB22.7 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages and incentives to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company. Share award scheme has also been adopted and awarded shares will be granted to eligible employees of the Group in accordance with the terms of the share award scheme.

RISK MANAGEMENT

The Group's business operations are conducted in the financial leasing market and small-loan market in the PRC. Accordingly, the Group's business, financial position, results of operations and prospects are significantly affected by economic, political and legal developments in the PRC.

Being a financial service provider, the Group has implemented a risk management system to mitigate the risks arising from its daily operations. The risk management structure of the Group consists of the risk control committee at the top, under which are (i) the risk management department, (ii) the business development department, and (iii) the accounting and finance department. Potential business opportunities are assessed by the business development department based on the potential customer's background, credit records, financial position and the underlying assets. The risk management department reviews all given information meticulously and considers relevant risk factors. Where necessary, external legal advisors may be engaged to evaluate potential legal issues. The Group's accounting and finance department also works closely with the risk management department to assist in risk assessment by providing financial and tax opinions. The risk control committee as the final decision maker has the ultimate authority to approve each project. The Group also periodically conducts post-leasing management on the customers and monitors financial leasing receivables to review the ongoing risk exposure of the Group.

The Directors take both macro and micro economic conditions into account before making business decisions. Under the impact of COVID-19, the Group has taken closer monitoring to assess risks of existing customers to respond to the fast changing market. Moreover, given the recent volatility in the economy and financial market of the PRC, the Group has been more prudent in the selection of high-quality customers. The Group will continue to raise its risk management standards with better allocation of resources and fine-tuning its operational process, such as the introduction of credit assessment and approval procedures, to enhance the customer selection process.

In addition, the Group intends to improve the information technology system to assist in the collection of information with better accuracy and the review of the financial and operational status of the customers with better efficiency. The Group will also continue to expand the risk management team to handle the additional work arising from our expanding business operations, and allocate sufficient manpower to maintain an appropriate risk reward balance.

SHARE OPTION SCHEME

On 19 June 2017, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme") in accordance with the provision of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, advisor, consultant, service provider, agent, customer, partner or joint venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group (the "Participants") as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 15,552,300 shares of the Company in total.

On 4 July 2018, under the Share Option Scheme, 4,320,000 share options to subscribe for an aggregate of 4,320,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees with validity period of the options from 4 July 2018 to 4 July 2019, and exercise price of HK$6.02. All options have been exercised.

On 24 April 2019, under the Share Option Scheme, 10,075,000 share options to subscribe for an aggregate of 10,075,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity periods of the options vary from (i) 24 April 2019 to 23 April 2022; (ii) 24 April 2019 to 23 April 2020; (iii) 24 April 2020 to 23 April 2021; and (iv) 24 April 2021 to 23 April 2022, and exercise price of HK$7.00, and none of the share options were outstanding as at 31 December 2022.

On 22 January 2020, under the Share Option Scheme, 10,200,000 share options to subscribe for an aggregate of 10,200,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity period of the options from 22 January 2020 to 21 January 2023, and exercise price of HK$6.12 and an aggregate of 1,060,000 share options have been exercised up to 31 December 2022.

On 14 December 2022, under the Share Option Scheme, 2,725,000 share options to subscribe for an aggregate of 2,725,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees under the Share Option Scheme with validity period of the options from 14 December 2022 to 14 May 2026, and exercise price of HK$5.93, an aggregate of 2,725,000 share option were outstanding as at 31 December 2022.

For options granted under the Share Option Scheme under 4 July 2018, 24 April 2019, 22 January 2020 and 14 December 2022, the exercise price in relation to each option was determined by the Board, but in any event would not be less than the highest of (i) the closing price of the Company's shares as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day or (ii) the average of the closing prices of the Company's shares as stated in the Exchange's daily quotations sheet for the five business days immediately preceding the date of grant or (iii) the par value of a share of the Company. For further details of the grant of share option, please refer to the announcements of the Company published on the websites of the Company and the Stock Exchange on 4 July 2018, 24 April 2019, 22 January 2020 and 14 December 2022.

Set out below are details of the outstanding options under the Share Option Scheme as at 31 December 2022:

					Number of share options				
Name of Grantee	Grant date	Exercise period	Exercise price	Closing price before the date of grant of share options	Outstanding as at 1 January 2022	Granted during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Lapsed during the year ended 31 December 2022	Outstanding as at 31 December 2022
Director of the Company or its subsidiary									
Xie Weiquan	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	40,000	–	–	(40,000)	–
Senior Management of the Company or its subsidiary									
Shi Lei	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	40,000	–	–	(40,000)	–
Shi Yumei	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	30,000	–	–	(30,000)	–
Other employees of the Company or its subsidiary or other eligible participants under the Share Option Scheme									
Other employees of the Company or its subsidiary									
	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	190,000	–	–	(190,000)	–
	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	5,140,000	–	–	(1,600,000)	3,540,000
	14 December 2022	14 December 2022–14 May 2026	HK$5.93	HK$5.92	–	2,725,000	–	–	2,725,000
Other eligible participants									
Grantee A *(note 1)*	24 April 2019	24 April 2019–23 April 2022	HK$7.00	HK$7.00	407,000	–	–	(407,000)	–
Grantee B *(note 1)*	24 April 2019	24 April 2019–23 April 2022	HK$7.00	HK$7.00	440,000	–	–	(440,000)	–
Grantee F *(note 2)*	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	20,000	–	–	(20,000)	–
Grantee H *(note 2)*	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	40,000	–	–	(40,000)	–
Grantee J *(note 2)*	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	20,000	–	–	(20,000)	–
Grantee P *(note 3)*	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	200,000	–	–	–	200,000
Grantee Q *(note 3)*	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	200,000	–	–	–	200,000
Grantee R *(note 3)*	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	100,000	–	–	–	100,000
Grantee S *(note 1)*	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	100,000	–	–	(100,000)	–
Grantee T *(note 3)*	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	400,000	–	–	–	400,000
Grantee U *(note 3)*	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	1,500,000	–	–	(1,500,000)	–
					8,867,000	2,725,000	–	(4,427,000)	7,165,000

Notes:

1. Eligible participants represent 3 consultants who possess comprehensive knowledge and industry experience in business operation of financial leasing or factoring services and extensive business network in China. The consultants provide advisory and consultancy services to the Group, including consultancy coverage of latest business operation industry updates in financial leasing and factoring sectors and advice on the Group's business development for sourcing potential new financial leasing/factoring projects to the Group.

   Share options are granted to these consultants to attract, retain and maintain ongoing business relationships with them, encouraging such eligible participants to continue to contribute positively to the Group and enabling the Group to foster a sustained/long term co-operation with such persons through their share ownership of the Group upon their exercise of options to achieve long-term growth of the Group and to recognise their contributions in terms of their advisory and consultancy services to the Group, which is expected to be beneficial to the Group and align the interests of them and shareholders of the Company.

2. Eligible participants represent 3 consultants who possess broad business operation experience in small loan and extensive network in China. The consultants provide customers referral to the Group's small loan business.

   Share options are granted to these consultants to attract, retain and maintain ongoing business relationships with them, encouraging such eligible participants to continue to contribute positively to the Group and enabling the Group to foster a sustained/long term co-operation with such persons through their share ownership of the Group upon their exercise of options to achieve long-term growth of the Group and to recognise their contributions in terms of referring potential customers to the Group and introducing favourable business relationships with potential customers, which is expected to be beneficial to the Group and align the interests of them and shareholders of the Company.

3. Eligible participants represent 5 consultants who possess comprehensive knowledge and industry experience in business operation of small loan and financial leasing services and extensive business network especially in Shenzhen or Dongguan in China. The consultants provide advisory and consultancy services to the Group, including consultancy service and assistance in dealing with overdue customers in small loan and financial leasing sectors and advice on potential investments related to the Group's business.

   Share options are granted to these consultants to attract, retain and maintain ongoing business relationships with them, encouraging such eligible participants to continue to contribute positively to the Group and enabling the Group to foster a sustained/long term co-operation with such persons through their share ownership of the Group upon their exercise of options to achieve long-term growth of the Group and to recognise their contributions in terms of their advisory and consultancy services to the Group, which is expected to be beneficial to the Group and align the interests of them and shareholders of the Company.

Share Award Scheme

The Company has adopted a share award scheme on 6 November 2019 (the "Share Award Scheme") for the purposes of, amongst others, effectively recognising employee's contribution to the Group and/or providing an incentive to employee to remain with or join the Group, for participation in the Scheme as a selected employee and determine the purchase, subscription and/or allocation of awarded shares according to the terms of the Share Award Scheme. However, until so selected, no Employee shall be entitled to participate in the scheme.

The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 6 November 2029.

Since the adoption of the Share Award Scheme and up to the date of this report, none of the issued Shares has been purchased or issued nor any awards have been granted under the Share Award Scheme.

EVENTS AFTER THE REPORTING PERIOD

In January 2023, the Group has repaid the bank borrowings and obtained two 7-month bank borrowings with aggregate amount of approximately RMB100,000,000 carried annual interest at 104.15% of LPR offered by PBOC, which are repayable in July 2023.

OUTLOOK AND PLANS

In 2023, the Group will continue to exercise prudence for effective cost control and when developing business with high-quality customers, in order to brace itself for the current challenging environment. The Group will continue to strengthen its risk management capabilities and do business with current and new customers that have good development potential in their respective industries. The Directors consider that in future, the Company will focus on enhancing its internal informatisation and strengthen its risk management abilities with the functions of its systems. More effective measures to cut costs and increase income will also be adopted. Reasonable cost controls will be put in place while capitalising on the advantages of its existing businesses to increase the profitability of the Company. The Company will continue to enhance its financing capacity and develop more partners to enhance its comprehensive service-ability. The major customers of the Company are in the PRC. The Company will continue to pay close attention to the situations of its customers and adjust its business strategies in a flexible manner. The Directors consider that the promotion of digitalisation of business through strengthening the integration of resources among the Group's business departments and the synergy among its subsidiaries will be a main focus of the Company and an effective approach for the Company to tackle with the complicated economic environment.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lo Wai Ho (盧偉浩), aged 53, is an executive Director, the founder, chairman and chief executive officer of the Group. He is mainly responsible for the overall strategic planning and management of the Group.

Mr. Lo has over 26 years of experience in the areas of corporate management, finance and property development. From July 1993 to December 1997, Mr. Lo was the deputy general manager of Heng Feng Investments (China) Development Company Limited ("Heng Feng") (formerly known as Stable Profit Industries Limited and Heng Feng Investments (China) Development Company Limited). Heng Feng is principally engaged in the business of property development projects in the PRC. Mr. Lo was responsible for the corporate management, finance and the PRC property projects of Heng Feng. In January 1998, he was appointed as a director of Heng Feng.

Since the beginning of 2012 after Mr. Lo founded the Group, he has been primarily responsible for overall strategy of Heng Feng. He has not been involved in its day-to-day operations.

Mr. Lo has also been one of the directors of (i) Grand Partners Asset Management Limited since June 2011, a corporation licensed under the SFO to carry out type 9 (asset management) regulated activities; (ii) Grand Partners Investment Consultants Limited since August 2015, a corporation licensed under the SFO to carry out type 4 (advising on securities) regulated activities; and (iii) Grand Partners Securities Limited since October 2015, a corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activities. Mr. Lo is not involved in their day-to-day operations and his primary responsibilities are to preside over and participate in board meetings, provide strategic advice and guidance to the management of Grand Partners Asset Management Limited, Grand Partners Investment Consultants Limited and Grand Partners Securities Limited.

Mr. Lo is the uncle of Mr. Xie Weiquan (the Group's non-executive Director) and Mr. Xie Zhuochou (a member of the Group's senior management). Other than disclosed in this annual report, Mr. Lo is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Xie Weiquan (謝偉全), aged 41, was appointed as non-executive Director on 12 May 2016 and has been re-designated from non-executive Director to executive Director on 2 January 2020 and is mainly responsible for advising on business opportunities for investment, development and expansion of the Group. He joined the Group on 1 January 2013 in charge of the finance and risk management, human resources and general administration of CWW Leasing and CWW Services. Mr. Xie has been re-designated as the consultant of CWW Leasing and CWW Services since 12 May 2016 to render advices particularly relating to finance and risk management.

Mr. Xie has extensive experience in finance, investment and asset management. From July 2006 to July 2009, Mr. Xie worked at 中國平安人壽保險股份有限公司 (China Ping An Life Insurance Co., Ltd.), which is an insurance company and he was primarily responsible for the development of investment management system and procurement. From September 2009 to December 2012, he was the manager of finance of 廣東恒豐投資集團有限公司 (GD Hengfeng Investment Group Co. Limited*), a limited liability company incorporated in the PRC which is principally engaged in the business of property investment and development. Mr. Xie has been a representative and member of the investment committee of Grand Partners Asset Management Limited since February 2014, and has been its Responsible Officer since 21 April 2017. Mr. Xie has also been a representative of Grand Partners Investment Consultants Limited since October 2016. Mr. Xie is primarily responsible for the business operations and marketing of Grand Partners Asset Management Limited and Grand Partners Investment Consultants Limited.

In July 2004, Mr. Xie graduated from 哈爾濱工業大學 (Harbin Institute of Technology), PRC with a degree of Bachelor of Management in Science and Engineering. In July 2006, Mr. Xie graduated from 哈爾濱工業大學 (Harbin Institute of Technology) PRC, with a degree of Master of Management in Science and Engineering. In November 2015, he obtained a degree of Master of Business Administration in Finance from The Chinese University of Hong Kong. In November 2021, he obtained a degree of Master of Corporate Governance from Hong Kong Metropolitan University.

Mr. Xie is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder) and cousin of Mr. Xie Zhuochou (a member of the Group's senior management). Other than disclosed in this annual report, Mr. Xie is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ha Tak Kong (夏得江), aged 54, was appointed as an INED on 19 June 2017. He is mainly responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He has over 27 years of experience in financial accounting and auditing. Between June 2004 to September 2015, Mr. Ha was appointed as an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司) (formerly known as Garron International Limited) (stock code: 1226). Between September 2007 and October 2008, Mr. Ha was an independent non-executive director of Seamless Green China (Holdings) Limited (無縫綠色中國（集團）有限公司) (formerly known as Fast Systems Technology (Holdings) Limited (東光集團有限公司)) (stock code: 8150). Since December 1992, Mr. Ha has been employed as the chief financial officer of World Wide (Hardware) Industrial Co., an export/import trading company.

In December 2002, Mr. Ha graduated with a degree of Bachelor of Accounting from the University of Hong Kong.

Mr. Ha has been admitted as an associate of the Association of International Accountants since November 2003, an associate of The Taxation Institute of Hong Kong since March 2004 and a member of The Hong Kong Institute of Certified Public Accountants since July 2004.

Mr. Ip Chi Wai (葉志威), aged 55, was appointed as an INED on 19 June 2017. He is mainly responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Company. Mr. Ip has been an independent non-executive director of Asia Standard Hotel Group Limited (泛海酒店集團有限公司) (stock code: 292) and Dingyi Group Investment Limited (鼎億集團投資有限公司) (stock code: 508) since September 2003 and March 2016 respectively.

Mr. Ip graduated from the University of Hong Kong with a degree of Bachelor of Laws in December 1990. He is a qualified solicitor in Hong Kong and has over 28 years of experience in the legal profession.

Mr. Kam Wai Man (甘偉民), aged 47, was appointed as an INED on 2 January 2020 and has over 15 years of working experience in corporate finance. Mr. Kam has served as a managing director of Innovax Capital Limited ("Innovax Capital") since February 2017. He has been a responsible officer of Innovax Capital for Type 6 regulated activities (advising on corporate finance) under the SFO since April 2017 and Mr. Kam is one of the sponsor principals of Innovax Capital Limited. From April 2003 to November 2005, he served as a licensed representative at Kingsway Capital Limited. He then worked at China Everbright Capital Limited from November 2005 to February 2017 with his last position being the managing director and head of the corporate finance department. He has been an independent non-executive director of Duiba Group Limited (Stock code: 1753), a company listed on the Stock Exchange, since April 2019. Mr. Kam obtained a bachelor of arts (honors) in business studies from City University of Hong Kong in November 1997 and a Postgraduate Diploma in Professional Accountancy from the Chinese University of Hong Kong in December 2004. He is a member of the Hong Kong Institute of Certified Public Accountants and a CFA Institute charterholder.

SENIOR MANAGEMENT

Mr. Shi Lei (石磊), aged 44, joined the Group on 1 September 2014 as the general manager of CWW Leasing and the deputy general manager of CWW Services and resigned on 30 November 2022. He is mainly responsible for the Group's overall business development.

Mr. Shi has over 16 years of experience in the financial leasing industry in the PRC. Mr. Shi obtained a bachelor degree in financial management from 中央財經大學 (Central University of Finance and Economics), PRC in June 2001. From July 2001 to March 2005, he had been employed as accounting officer, project manager of the leasing and finance departments, head of the capital department and head of the investment banking department at China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (formerly known as Shenzhen Finance Leasing Co. Ltd. (深圳金融租賃有限公司)). Mr. Shi was mainly responsible for overseeing its leasing and finance, capital and investment banking department. During March 2005 to September 2011, Mr. Shi had been the deputy general manager of the accounting and finance department and the general manager of the leasing department of 南方國際租賃有限公司 (South China International Leasing Co. Ltd.). Mr. Shi was mainly responsible for overseeing its finance and leasing department. From October 2011 to September 2014, Mr. Shi was the deputy general manager of 深圳市永泰融資租賃有限公司 (Shenzhen Win Time Financial Leasing Company Limited). Mr. Shi was mainly responsible for overseeing its business section.

Mr. Xie Zhuochou (謝灼疇), aged 38, joined the Group as the head of the risk management department of CWW Leasing on 1 February 2019. He is responsible for overseeing the risk management department.

Mr. Xie graduated from 華南理工大學 (South China University of Technology) in 2006 with a bachelor's degree in business management. Prior to joining the Group, Mr. Xie 深圳恒豐海悦國際酒店有限公司 (Hengfeng Haiyue International Hotel Company Limited*) as the general manager of the finance department during August 2006 to February 2007. From March 2007 to March 2008, Mr. Xie worked as the project manager for 深圳恒豐房地產有限公司 (Shenzhen Hengfeng Real Estate Co. Limited*). From March 2008 to December 2017, Mr. Xie worked as the head of accounting and finance department of 廣東恒豐集團有限公司 (GD. Hengfeng Group Co. Ltd.*).

Mr. Xie is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder) and cousin of Mr. Xie Weiquan (the Group's executive Director). Other than disclosed in this annual report, Mr. Xie is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

Ms. Shi Yumei (史玉梅), aged 38, joined the Group on 30 November 2012 as the head of accounting and finance department of CWW Leasing and CWW Services. She is mainly responsible for the accounting and finance of CWW Leasing and CWW Services.

Ms. Shi has over 9 years of experience in financial accounting in the PRC. She was the head of the accounting and finance department of 深圳市三智通信技術有限公司 (Shenzhen City Sanzhi Telecommunications Technology Company Limited) from January 2008 to December 2012. Ms. Shi obtained a bachelor degree in accounting from 延安大學 (Yanan University), the PRC in July 2007. She has been qualified as an intermediate accountant in the PRC in October 2012.

COMPANY SECRETARY

Mr. Lam Yau Hin (林佑顯), aged 40, was appointed as company secretary of the Company on 16 November 2021. Mr. Lam graduated from the City University of Hong Kong with an Associate Degree of Business Administration in Accountancy in November 2006 with over 15 years of experience in accounting, auditing and corporate governance. Mr. Lam was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in May 2011.

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2022.

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange. For the year ended 31 December 2022, the Board of the Company have performed the corporate governance duties which include the following: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD OF DIRECTORS

Composition

During the Reporting Period and up to the date of this report, the composition of the Board is as follow:

Executive Director, Chairman and Chief Executive Officer

Mr. LO Wai Ho

Executive Director

Mr. XIE Weiquan

Independent Non-Executive Directors ("INEDs")

Mr. HA Tak Kong
Mr. IP Chi Wai
Mr. KAM Wai Man

Responsibilities of the Board

The functions and duties of the Board include, but are not limited to, convening general meetings, reporting on the performance of the Group at general meetings, implementing resolutions passed at general meetings, formulating business and investment plans, preparing annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital, as well as exercising other authorities, functions and responsibilities in accordance with the Articles of Association. The biographies of the Directors are set out on pages 12 to 15 of this annual report under the "Biographical Details of Directors and Senior Management".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lo Wai Ho, the Chairman of the Company is responsible for the overall strategic planning and management of the Group. Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lo, being the Chairperson of the Board, has also been appointed as the Chief Executive Officer of the Group who will keep provided strong and consistent leadership to achieve strategic business growth of the Group to enable a better execution of long-term strategies. All the Board members will be ensured to keep abreast of adequate, complete and reliable information by Mr. Lo on issues to be discussed at Board meetings. Moreover, the three independent Non-Executive Directors (the "INEDs") provide independent and professional opinion on issues addressed at Board meetings and therefore, the Board believes that there is a balance of power and authority governed by the current Board structure with half of them being the INEDs and does not intend to make any change in the composition of the Board. The Board will continue to review the Board composition from time to time and shall make necessary changes when appropriate in a timely manner accordingly and inform the Company's shareholders.

Mr. Lo is the uncle of Mr. Xie. Other than disclosed in this annual report, Mr. Lo is not connected with any other Directors of the Company.

EXECUTIVE DIRECTOR

The Executive Director of the Company, Mr. Xie Weiquan has been redesignated and appointed for a specific term which may be extended as each of the Executive Director and the Company may agree, unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director's service contract.

Mr. Xie is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder). Other than disclosed in this annual report, Mr. Xie is not connected with any other Directors of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board with at least one of them has possessed relevant professional qualifications or accounting or related financial management expertise. A written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules have been received from each of the INEDs and the Company considers each of them to be independent. The Company is of the opinion that the INEDs with their wide spectrum of knowledge and extensive business experience, will objectively scrutinise the Company's performance. Each of the INEDs will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence. The INEDs are also subject to rotation at annual general meetings pursuant to the articles of association of the Company.

The Company has maintained an updated list of its directors identifying their roles and functions on websites of the Company and the Stock Exchange. Independent non-executive directors are identified in all corporate communications that disclose the names of directors.

Appointment and Rotation of Directors

Pursuant to Articles, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Appendix 14 of the Listing Rules, Code Provision A1.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with actively participation of a majority of the Directors, either in person or through other electronic means of communication.

During the year, the Board held a total of ten regular board meetings. Each Director's attendance record for the Board meetings, Board committee meetings and general meetings is set out as follow:

Board Meetings and Attendance

	Annual general meeting	Regular board meeting	Nomination Committee	Remuneration Committee	Audit Committee
Executive Director, Chairman and Chief Executive Officer					
Mr. LO Wai Ho	1/1	7/7	2/2	2/2	–
Executive Director					
Mr. XIE Weiquan	1/1	7/7	–	–	–
Independent non-executive Directors					
Mr. HA Tak Kong	1/1	7/7	2/2	2/2	2/2
Mr. IP Chi Wai	1/1	7/7	2/2	2/2	2/2
Mr. KAM Wai Man	1/1	7/7	–	–	2/2

The Board having considered the attendance records of the Directors is satisfied that each Director spends sufficient time performing his responsibilities.

BOARD COMMITTEES

We have established the following committees under the Board: the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). The committees operate in accordance with the terms of reference established by the Board. The terms of reference of the Audit committee, Nomination Committee and Remuneration Committee are posted on the Company's website and the Stock Exchange.

Audit Committee

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures and risk management of the Group. The Audit Committee currently comprises of three INEDs, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Kam Wai Man. Mr. Ha Tak Kong is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

During the year, the Company has held two meetings of Audit Committee in March 2022 and August 2022.

Up to the date of this report, the Audit Committee has reviewed with the management team and the external auditors the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters and results of the Group of the Reporting Period and proposed adoption of the same by the Directors.

Remuneration Committee

The Company established the Remuneration Committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code. The primary functions of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management, review performance based remuneration and ensure none of Directors determine their own remuneration. The Remuneration Committee comprises of two INEDs and one executive Director, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Lo Wai Ho. Mr. Ha Tak Kong is the chairman of the Remuneration Committee.

During the year, the Company has held two meetings of Remuneration Committee in March 2022 and August 2022, in which the Remuneration Committee had reviewed the current directors' fee, the current remuneration policy of the Board and made recommendations to the Board.

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code. The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors. The Nomination Committee comprises of two INEDs and one executive Director, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Lo Wai Ho. Mr. Ha Tak Kong is the chairman of the Nomination Committee.

During the year, the Company has held two meetings of Nomination Committee in March 2022 and August 2022, in which the Nomination Committee had reviewed the current Board's structure, size and composition and made recommendations of appointment of the Board.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the Reporting Period, complied with the required standards set out therein.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 December 2022 is set out in Note 10 to the consolidated financial statements.

Board Diversity policy

This Policy aims to set out the approach to achieve diversity on the board of directors (the "Board") of Wealthy Way Group Limited (the "Company").

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates of the Board members 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 and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. The Board's composition will be disclosed in the corporate governance report of the Company annually in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Review of the Policy

The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions to the Policy that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board acknowledges that gender diversity is an important element in Board composition. However, subsequent to the resignation of Ms. Chan Shuk Kwan, Winnie (our past executive director) in July 2021, there is no female director on the Board as at the date of this annual report. While the Company is continuously looking for suitable candidates to enhance the gender diversity of the Board, the Company is in the course of identifying suitable female staff to take the role of a Director and the nomination committee of the Company is also monitoring their performance. If there is suitable female candidate, the Company will consider inviting such candidate to join the Board. The Directors believe that the Board will achieve gender diversity by next three years.

Dividend policy

Under the Dividend Policy, in circumstances that the Group is profitable and without affecting the normal operations and future growth of the Group, the Company may consider declaring and paying dividends to its shareholders. Such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Articles of Association of the Company. According to the Dividend Policy, while the Company intends to declare and pay dividends in the future, the payment and the amount of any dividends will depend on a number of factors, including but not limited to: (i) the Group's actual and expected financial performance; (ii) the Group's expected working capital requirements and future development plans; (iii) the Group's liquidity position; (iv) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; (v) shareholders' interests; (vi) any restrictions on payment of dividends; (vii) and other factors that the Board deems appropriate. The Board endeavors to strike a balance between the shareholders' interests and prudent capital management with a sustainable dividend policy and the Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary. There can be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any of the plans or at all.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The company has appointed Moore Stephens CPA Limited ("Moore") as the Company's external auditor during the year. The Audit Committee considered that these audit and non-audit services have no adverse effect on the independence of Moore. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of Moore. During the year, Moore has rendered audit services to the Group and the remuneration paid/payable for the year ended 31 December 2022 is set out as follows:

Amount of Fees

Types of services provided by Moore	RMB$'000
Audit services	754

DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for each financial year with a true and fair view of the financial position of the Group.

The Directors consider that the consolidated financial statements of the Company are prepared in accordance with all statutory requirements and appropriate accounting standards are applied consistently.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement by the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledged that it is its responsibility to ensure the Company maintains an effective risk management and internal control system to minimize risks in our business activities and to protect the long-term interests of the Group and the Shareholders. During the financial year, a review of the effectiveness of the risk management and internal control system of the Company in respect of the Group's financial, operational and compliance controls had been conducted through the effort of the Board, the Audit Committee and the management. The Company has established internal audit function. The Board acknowledged that adequate internal control system was implemented to ensure the effectiveness functioning of financial, operational and compliance controls.

The Company has policies and systems in place to promote anti-corruption laws (including whistleblowing policies) to enable employees and those who deal with the Company to raise concerns to the management and the Audit Committee with regard to any possible improprieties. For the anti-corruption policies adopted by the Group, please refer to the section headed "Anti-corruption" under the Environmental, Social and Governance Report.

COMPANY SECRETARY

Mr. Lam Yau Hin was appointed as company secretary of the Company on 16 November 2021. During the Reporting Period, Mr. Lam has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy and the Board reviews it regularly to ensure its effectiveness. Under this policy, the Company communicates with its shareholders and the investment community mainly through various means: (i) the holding of annual general meetings and other general meetings; (ii) the timely publication of the Company's announcements, interim and annual financial reports, and/or circulars as required under the Listing rules and (iii) the availability of all the disclosures submitted to the Stock Exchange and any of the Company's corporate communications and publications on the Company's website at cwl.com.

Shareholders and investors are welcome to visit the Company's website to raise enquiries through the Investor Relations Department whose contact details are available on the Company's website and the "Corporate Information" of this annual report.

The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Company's articles and the Listing Rules and Shareholders are encouraged to attend and participate in general meetings. The Chairman of the Board and the chairperson/chairman of the Board committees, or their delegates and the external auditors will attend the upcoming annual general meeting to answer any questions from shareholders. Notice of the Annual General Meeting, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 30 days prior to the date of the meeting.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene meetings

Pursuant to Article 64 of the Articles, one or more shareholder(s) holding not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the board of directors or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition (the "Requisition").

The Requisition shall be made either in hard copy form by post to the Company's principal place of business in Hong Kong at Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai for the attention of the Board of Directors/ Company Secretary or via email to wealthyway@cwl.com.

Procedures for shareholders to put through proposals at general meetings

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai or via email to wealthyway@cwl.com not less than seven days prior to the date of the general meeting.

Procedures for shareholders to put forward enquiries to the Board

To put forward any enquiries to the Board, shareholders shall send their written enquiries to the Company. The Company will normally not deal with verbal or anonymous enquiries.

Address: Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai, for the attention of the Board of Directors/Company Secretary

Email: wealthyway@cwl.com

Constitutional Documents

The amended and restated memorandum and articles of association of the Company (the "Amended and Restated M&A") was adopted on 30 May 2022 and took effect from 30 May 2022. A copy of the Amended and Restated M&A is available on both the websites of the Company at cwl.com and the Stock Exchange at www.hkexnews.hk.

Report of the Directors

The Directors of the Company hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Group are (i) provision of financial leasing, factoring and financial advisory services in the People's Republic of China (the "PRC"); (ii) provision of small loans and related loan facilitation services in the PRC; and (iii) provision of investment management and advisory services, securities dealing and broking services and other financial services in Hong Kong.

FINANCIAL RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income in this annual report. The Board of Directors recommend the payment of a final dividend of HK3 cents per Share (2021: HK3 cents) for the year ended 31 December 2022, held by the shareholders whose names appear on the register of members of the Company on a record date to be announced by the Company subject to the shareholder approval at the annual general meeting to be convened by the Company.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, are set out on page 172. This summary does not form part of the audited consolidated financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, our five largest customers accounted for approximately 8% (2021: approximately 8%) of the Group's total revenue and our largest customer accounted for approximately 4% (2021: approximately 3%) of our total revenue.

Due to the nature of our business, we do not have any significant contribution from major suppliers during the normal course of our business. However, we relied substantially on interest-bearing bank loans to operate our business and we have established strong relationships with various national and local commercial banks.

For the year ended 31 December 2022, to the knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the Shareholders of the Company who own more than 5% of the Company's issued shares has any interest in any of the Group's five largest customers or suppliers or lenders.

MAJOR SUBSIDIARIES

Particulars of major subsidiaries of the Company are set out in note 42 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 14 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2022 are set out in note 27 to the consolidated financial statements.

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

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

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2022, details of movements in the reserves of the Group is set out in the consolidated statement of changes in equity on page 59. Details of movements in the reserves of the Company during the year ended 31 December 2022 are set out in note 33 to the consolidated financial statements. Distributable reserves of the Company at 31 December 2022, calculated under the Companies Law of Cayman Islands amounted to approximately RMB154.5 million (31 December 2021: RMB150.4 million).

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2022 are set out in note 31 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors

Mr. LO Wai Ho
Mr. XIE Weiquan

Independent Non-Executive Directors

Mr. HA Tak Kong
Mr. IP Chi Wai
Mr. KAM Wai Man

Pursuant to Articles, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election at the Annual General Meeting.

The Company has received, from each of the Independent Non-Executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and five highest paid individuals for the year ended 31 December 2022 are set out in note 10 to the consolidated financial statements.

The remuneration of the Directors is subject to Shareholders' approval at general meetings. No Directors, or any of their respective associates, was involved in deciding his/her own remuneration for the year ended 31 December 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2022.

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2022	2021
Nil to HK$1,000,000 (equivalent to approximately RMB857,000)	**3**	4

No Director and senior management has waived or has agreed to waive any emoluments during the year ended 31 December 2022.

SERVICE CONTRACTS WITH DIRECTORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that cannot be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors of the Company had any interest in any business which was in competition or was likely to compete, directly or indirectly with the business of the Company and its subsidiaries.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the interests or short positions in the Shares, underlying Shares and debentures of the Company or associated corporations (within the meaning of Part XV of the SFO as defined below) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange; were as follows:

Long positions in shares ("Shares")/underlying Shares of the Company

Name of Director	Nature of interest	Number of shares directly and beneficially held	Percentage of the Company's issued share capital
Mr. Lo Wai Ho (Note 1)	Interest of controlled corporation	101,974,000	65.12%
Mr. Xie Weiquan	Personal interest	360,000	0.23%

Note:

(1) Mr. Lo Wai Ho is the beneficial owner of 100% of the issued share capital of Wealthy Rise Investment Limited. Mr. Lo Wai Ho is deemed to be interested in 101,974,000 shares of the Company held by Wealthy Rise Investment Limited under the SFO.

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares ("Shares")/underlying Shares of the Company

Name of substantial shareholders	Capacity/nature of Interest	Number of Shares/ underlying Shares	Approximate percentage of the issued share (%)
Wealthy Rise Investment Limited	Beneficial owner	101,974,000	65.12%
Mr. Lo Wai Ho (Note 1)	Interest in a controlled corporation	101,974,000	65.12%
Ms. Lin Yihong (Note 2)	Interest of spouse	101,974,000	65.12%

Notes:

(1) Mr. Lo Wai Ho is the beneficial owner of 100% of the issued share capital of Wealthy Rise Investment Limited. Mr. Lo Wai Ho is deemed to be interested in 101,974,000 shares of the Company held by Wealthy Rise Investment Limited under the SFO.

(2) Ms. Lin Yihong is the spouse of Mr. Lo Wai Ho. Under the SFO, Ms. Lin Yihong is deemed to be interested in the same number of Shares in which Mr. Lo Wai Ho is interested.

Saved as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The Directors confirm that the Group's related party transactions as set out in note 35 to the consolidated financial statements were continuing connected transactions, which were exempt from all disclosure requirements, annual review and independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

NON-COMPETITION UNDERTAKING

The Company's controlling shareholders (each a "Covenantor" and collectively, the "Covenantors"), namely, Mr. LO Wai Ho ("Mr. Lo") and Wealthy Rise Investment Limited entered into the deed of non-competition (the "Deed of Non-Competition") in favour of the Company (for the Company itself and as trustee for each of the Company's subsidiaries), under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, undertakes to and covenants with the Company (for the Company itself and as trustee for each of the Company's subsidiaries) that:

(a) he/it shall not, and shall procure each of his/its close associates and/or companies controlled by him/it (excluding any member of the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as an investor, a shareholder, partner, principal, agent, director, employee, consultant or otherwise and whether for profit, reward, interest or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group in Hong Kong, the PRC and any other country or jurisdiction to which the Group provides such services and/or products and/or in which any member of the Group carries on business mentioned above from time to time (the "Restricted Business");

(b) if he/it and/or any of his/its close associates and/or companies controlled by he/it (excluding any member of the Group) is offered or becomes aware of any project or new business opportunity ("New Business Opportunity") that relates to the Restricted Business, whether directly or indirectly, he/it shall give the Company a first right of refusal to participate or engage in such New Business Opportunity by: (i) promptly within ten (10) business days notify or procure the relevant close associate and/or the companies controlled by him/it to notify the Group in writing of such New Business Opportunity and provide such information as is reasonably required by the Group in order to enable the Group to come to an informed assessment of such New Business Opportunity; and (ii) use his/its best endeavours to procure that such New Business Opportunity is offered to the Group on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates and/or companies controlled by him/it;

(c) he/it shall provide the Group and the Directors (including the independent non-executive directors (the "INEDs")) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by the INEDs from time to time, for the annual review by the INEDs with regard to compliance and enforcement of the terms of Deed of Non-Competition;

(d) (i) he/it will not and will procure that none of his/its close associates and/or companies controlled by him/it (excluding any member of the Group) will solicit or entice away from any member of the Group any existing or then existing directors, employees or customers of the Group; and (ii) he/it will not without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to his/its knowledge in his/its capacity as the controlling shareholder (within the meaning of the Listing Rules) of the Company for any purposes.

The non-competition undertaking will take effect from the date on which dealings in the shares first commence on the Stock Exchange and will cease to have any effect upon the earliest of the date on which (a)(i) such Covenantor, and his/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of the Company directly or indirectly or cease to be deemed as a controlling shareholder and do not have power to control the board of directors or there is at least one other independent shareholder other than the Covenantors and his/its close associates holding more shares than the Covenantors and his/its close associates taken together; and (ii) Mr. Lo ceases to be a director; or (b) the shares cease to be listed and traded on the Stock Exchange or other recognised stock exchange.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/its full compliance with the Deed of Non-Competition for the year ended 31 December 2022.

The INEDs of the Company have reviewed the written confirmation made by the Covenantors of the compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition given by the Covenantors.

As of the date of this annual report, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-Competition and there has not been any change in the terms of the Deed of Non-Competition since the Company's listing of its shares on the Stock Exchange.

SHARE OPTION SCHEME

On 19 June 2017, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme").

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group ("the Eligible Participants") as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

Grant and acceptance of options

Subject to the terms of the Share Option Scheme, the Directors may, in its absolute discretion make offer to any Eligible Participant. An offer shall be made to an Eligible Participant in writing in such form as the Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 21 days from the date of offer or within such other period of time as may be determined by the Board pursuant to the Listing Rules.

Any offer may be accepted or deemed to have been accepted by an Eligible Participant in respect of less than the total number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

Subscription price of Shares

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of the Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as stated in the daily quotations sheet issued by the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

Maximum number of Shares

The maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not in aggregate exceed 10 per cent of the issued share capital of the Company at the date of approval of renewing such limit. On the basis of a total of 155,523,000 Shares in issue as at the last refreshment date approved by the shareholders' thereof, the relevant limit will be 15,523,000 Shares which represent 10 per cent of the issued Shares at the last refreshment date approved by the shareholders' thereof.

The Company may seek approval of Shareholders in general meeting to renew the 10 per cent limit provided that the total number of Shares available for issue upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of the Group in these circumstances must not exceed 10 per cent of the issued share capital of the Company at the date of approval of renewing such limit.

Exercise of options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than ten years from the date of grant.

Present status of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine.

On 4 July 2018, under the Share Option Scheme, 4,320,000 share options to subscribe for an aggregate of 4,320,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees with validity period of the options from 4 July 2018 to 4 July 2019, and exercise price of HK$6.02. All options have been exercised.

On 24 April 2019, under the Share Option Scheme, 10,075,000 share options to subscribe for an aggregate of 10,075,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity periods of the options vary from (i) 24 April 2019 to 23 April 2022; (ii) 24 April 2019 to 23 April 2020; (iii) 24 April 2020 to 23 April 2021; and (iv) 24 April 2021 to 23 April 2022, and exercise price of HK$7.00, and none of the share options were outstanding as at 31 December 2022.

On 22 January 2020, under the Share Option Scheme, 10,200,000 share options to subscribe for an aggregate of 10,200,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity period of the options from 22 January 2020 to 21 January 2023, and exercise price of HK$6.12 and an aggregate of 1,060,000 share options have been exercised up to 31 December 2022.

On 14 December 2022, under the Share Option Scheme, 2,725,000 share options to subscribe for an aggregate of 2,725,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees under the Share Option Scheme with validity period of the options from 14 December 2022 to 14 May 2026, and exercise price of HK$5.93, an aggregate of 2,725,000 share option were outstanding as at 31 December 2022.

For options granted under the Share Option Scheme under 4 July 2018, 24 April 2019, 22 January 2020 and 14 December 2022, the exercise price in relation to each option was determined by the Board, but in any event would not be less than the highest of (i) the closing price of the Company's shares as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day or (ii) the average of the closing prices of the Company's shares as stated in the Exchange's daily quotations sheet for the five business days immediately preceding the date of grant or (iii) the par value of a share of the Company. For further details of the grant of share option, please refer to the announcements of the Company published on the websites of the Company and the Stock Exchange on 4 July 2018, 24 April 2019, 22 January 2020 and 14 December 2022.

Set out below are details of the outstanding options under the Share Option Scheme as at 31 December 2022:

					Number of share options				
Name of Grantee	Grant date	Exercise period	Exercise price	Closing price before the date of grant of share options	Outstanding as at 1 January 2022	Granted during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Lapsed during the year ended 31 December 2022	Outstanding as at 31 December 2022
Director of the Company or its subsidiary									
Xie Weiquan	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	40,000	–	–	(40,000)	–
Senior Management of the Company or its subsidiary									
Shi Lei	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	40,000	–	–	(40,000)	–
Shi Yumei	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	30,000	–	–	(30,000)	–
Other employees of the Company or its subsidiary or other eligible participants under the Share Option Scheme									
Other employees of the Company or its subsidiary									
	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	190,000	–	–	(190,000)	–
	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	5,140,000	–	–	(1,600,000)	3,540,000
	14 December 2022	14 December 2022–14 May 2026	HK$5.93	HK$5.92	–	2,725,000	–	–	2,725,000
Other eligible participants									
Grantee A (note 1)	24 April 2019	24 April 2019–23 April 2022	HK$7.00	HK$7.00	407,000	–	–	(407,000)	–
Grantee B (note 1)	24 April 2019	24 April 2019–23 April 2022	HK$7.00	HK$7.00	440,000	–	–	(440,000)	–
Grantee F (note 2)	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	20,000	–	–	(20,000)	–
Grantee H (note 2)	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	40,000	–	–	(40,000)	–
Grantee J (note 2)	24 April 2019	24 April 2021–23 April 2022	HK$7.00	HK$7.00	20,000	–	–	(20,000)	–
Grantee P (note 3)	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	200,000	–	–	–	200,000
Grantee Q (note 3)	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	200,000	–	–	–	200,000
Grantee R (note 3)	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	100,000	–	–	–	100,000
Grantee S (note 1)	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	100,000	–	–	(100,000)	–
Grantee T (note 3)	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	400,000	–	–	–	400,000
Grantee U (note 3)	22 January 2020	22 January 2020–21 January 2023	HK$6.12	HK$5.89	1,500,000	–	–	(1,500,000)	–
					8,867,000	2,725,000	–	(4,427,000)	7,165,000

Notes:

1. Eligible participants represent 3 consultants who possess comprehensive knowledge and industry experience in business operation of financial leasing or factoring services and extensive business network in China. The consultants provide advisory and consultancy services to the Group, including consultancy coverage of latest business operation industry updates in financial leasing and factoring sectors and advice on the Group's business development for sourcing potential new financial leasing/factoring projects to the Group.

   Share options are granted to these consultants to attract, retain and maintain ongoing business relationships with them, encouraging such eligible participants to continue to contribute positively to the Group and enabling the Group to foster a sustained/long term co-operation with such persons through their share ownership of the Group upon their exercise of options to achieve long-term growth of the Group and to recognise their contributions in terms of their advisory and consultancy services to the Group, which is expected to be beneficial to the Group and align the interests of them and shareholders of the Company.

2. Eligible participants represent 3 consultants who possess broad business operation experience in small loan and extensive network in China. The consultants provide customers referral to the Group's small loan business.

   Share options are granted to these consultants to attract, retain and maintain ongoing business relationships with them, encouraging such eligible participants to continue to contribute positively to the Group and enabling the Group to foster a sustained/long term co-operation with such persons through their share ownership of the Group upon their exercise of options to achieve long-term growth of the Group and to recognise their contributions in terms of referring potential customers to the Group and introducing favourable business relationships with potential customers, which is expected to be beneficial to the Group and align the interests of them and shareholders of the Company.

3. Eligible participants represent 5 consultants who possess comprehensive knowledge and industry experience in business operation of small loan and financial leasing services and extensive business network especially in Shenzhen or Dongguan in China. The consultants provide advisory and consultancy services to the Group, including consultancy service and assistance in dealing with overdue customers in small loan and financial leasing sectors and advice on potential investments related to the Group's business.

   Share options are granted to these consultants to attract, retain and maintain ongoing business relationships with them, encouraging such eligible participants to continue to contribute positively to the Group and enabling the Group to foster a sustained/long term co-operation with such persons through their share ownership of the Group upon their exercise of options to achieve long-term growth of the Group and to recognise their contributions in terms of their advisory and consultancy services to the Group, which is expected to be beneficial to the Group and align the interests of them and shareholders of the Company.

SHARE AWARD SCHEME

On 7 November 2019 (the "Adoption Date"), the Company conditionally approved and adopted the share award scheme (the "Share Award Scheme").

The major terms of the Share Award Scheme are summarized as follows:

Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are to effectively recognise employee's contribution to the Group and/or providing an incentive to employee to remain with or join the Group, for participation in the Scheme as a selected employee and determine the purchase, subscription and/or allocation of awarded shares according to the terms of the Share Award Scheme.

Eligible persons

Pursuant to the Scheme Rules, the Board shall select the Selected Employee(s) and determine the number of shares to be awarded. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's resources. However, until so selected, no Employee shall be entitled to participate in the scheme.

Awards

The Trustee shall purchase from the market the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the Scheme Rules. The Trustee shall purchase/subscribe for further Shares for the selected employees to be funded by the proceeds of the sale of any non-cash distributions.

Granting of Awards

When the selected employee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the Trustee shall transfer the relevant vested Shares (awarded Shares, related scrip distribution and further Shares acquired or subscribed out of the income derived therefrom) to that employee.

Maximum Number of Shares to be Awarded

The maximum number of Shares, whether they are new Shares to be allotted and issued by the Company, or Award Shares that are not vested and/or are forfeited and held by the independent trustee to be applied towards future awards, or existing shares to be purchased on the market by the independent trustee, underlying all grants made pursuant to the Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Share Award Scheme) shall not exceed 3% (i.e. 4,665,690 Shares) of the total number of issued Shares as at the Adoption Date.

Since the adoption of the Share Award Scheme and up to the date of this report, none of the issued Shares has been purchased or issued nor any awards have been granted under the Share Award Scheme. As at 31 December 2022, 4,665,690 Shares are available for grant of awards in the future under the Share Award Scheme, representing approximately 3.0% of the Shares in issue.

The above limit can be renewed or refreshed subject to approval of Shareholders within 10 years from the Adoption Date.

Limited for Each Participant

Under the Share Award Scheme, there is a limit of 1% on the maximum number of Award Shares which may be granted to a single eligible person but unvested under the Share Award Scheme.

Termination

Subject to any early termination as may be determined by the Board, the Share Award Scheme will be valid and effective for 10 years commencing on the Adoption Date.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers of the Group has been in force throughout the year under review.

The Group has arranged for appropriate directors' and officers' liability insurance coverage providing indemnity against liabilities, including liability in respect of legal actions against the Directors and officers of the Group, thereby sustained or incurred arising from or incidental to execution of duties of his/her offices.

EQUITY-LINKED AGREEMENTS

Except as disclosed under the sections headed "Share Option Scheme" and "Share Award Scheme" above in this annual report, no equity-linked agreements were entered into during the year ended 31 December 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the year ended 31 December 2022 and up to the date of this annual report, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient public float for the issued Shares as required under the Listing Rules.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2022, to the best information, knowledge and belief of the Directors after making all reasonable enquiries, the Company was not involved in any legal litigation or arbitration of material importance in which it served as a defendant.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent (31 December 2021: no material contingent).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the "Corporate Governance Report" on pages 16 to 23 of this annual report.

AUDIT COMMITTEE

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Board passed on 19 June 2017 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures and risk management of our Group.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, which include the review of the consolidated annual results of the Group for the year ended 31 December 2022.

AUDITOR

The financial statements have been audited by Moore Stephens CPA Limited who has remained as the Company's auditor for the year ended 31 December 2022. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting of the Company.

ABOUT THIS REPORT

The objective of this Environmental, Social and Governance ("ESG") Report is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

Unless otherwise stated, this ESG Report includes all business operations during the period from 1 January 2022 to 31 December 2022 (the "Reporting Period"). These relate to the overall performance, risks, strategies, measures and commitments of four aspects: quality of the working environment, environmental protection, operating practices and community participation.

REPORTING STANDARD

The Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 27 of the Main Board Listing Rules. The applicability and materiality of the relevant key performance indicators ("KPIs") under the ESG Reporting Guide was assessed.

REPORTING PRINCIPLES

The following principles are adopted in the Report:

- Materiality: Important and relevant information to stakeholders on different ESG aspects are covered in the Report. A materiality assessment was conducted to determine material ESG issues with results approved by the Board.

- Quantitative: The relevant standards, methodologies and assumptions used to prepare the quantitative information is disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.

- Consistency: Consistent methodologies are used to prepare and present ESG data in the Report, unless otherwise specified, to allow for meaningful comparisons.

- Balance: The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

GOVERNANCE ON ESG ASPECTS

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our management has delegated the responsibility of coordinating the implementation of the Group's environment, employment and service quality assurance policies.

The Board leads and provides direction to management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group. The Board continues to explore ways to further strengthen the ESG governance of the Group.

STAKEHOLDERS' FEEDBACK

As the Group strives for excellence, stakeholders' feedback is appreciated, especially on topics listed as of the highest importance in the materiality assessment and its ESG approach and performance. Please give your suggestions or share your views with us at wealthyway@cwl.com.

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback in regards to our businesses and ESG aspects. With the goal to strengthen the sustainability approach and performance of the Group, we put the effort into maintaining close communication with our key stakeholders, including but not limited to government and regulatory authorities, shareholders, employees, customers, suppliers, and the general public. We take stakeholders' expectations into consideration in formulating our businesses and ESG strategies by utilizing diversified engagement methods and communication channels, shown as below.

Stakeholders	Expectations and Concerns	Communication channels
Government/regulatory organizations	• Compliance with laws and regulations	• Announcements and other regulatory reports
Shareholders and investors	• Return on investments • Corporate governance • Sustainable development • Compliance with laws and regulations	• Information disclosed on the HKEX website and corporate website • Annual general meetings and other shareholders' meetings
Employees	• Employees' compensation and benefits • Career development • Occupational safety and health	• Employee performance evaluation • On-the-job training • Internal email • Regular meetings
Bank	• Operating conditions • Recoverability of loan	• Meetings • On-site visits
Customers	• High-quality products and services • Protection of customer rights and personal data	• Corporate website • Customer service hotline
Community/Public	• Compliance with laws and regulations • Involvement in communities • Environmental protection awareness	• Industry events • Corporate social responsibility activities

MATERIALITY ASSESSMENT

During the reporting period, the Group has evaluated a number of environmental, social and operating items and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction satisfy with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are listed in the following materiality matrix:

Step 1: Identify potential ESG issues

Taking into account the requirements of "ESG Reporting Guide" and the latest sustainability trends in the industry to identify relevant material issues. Twenty-one ESG issues were identified where they mattered most to the Group's businesses and stakeholders:

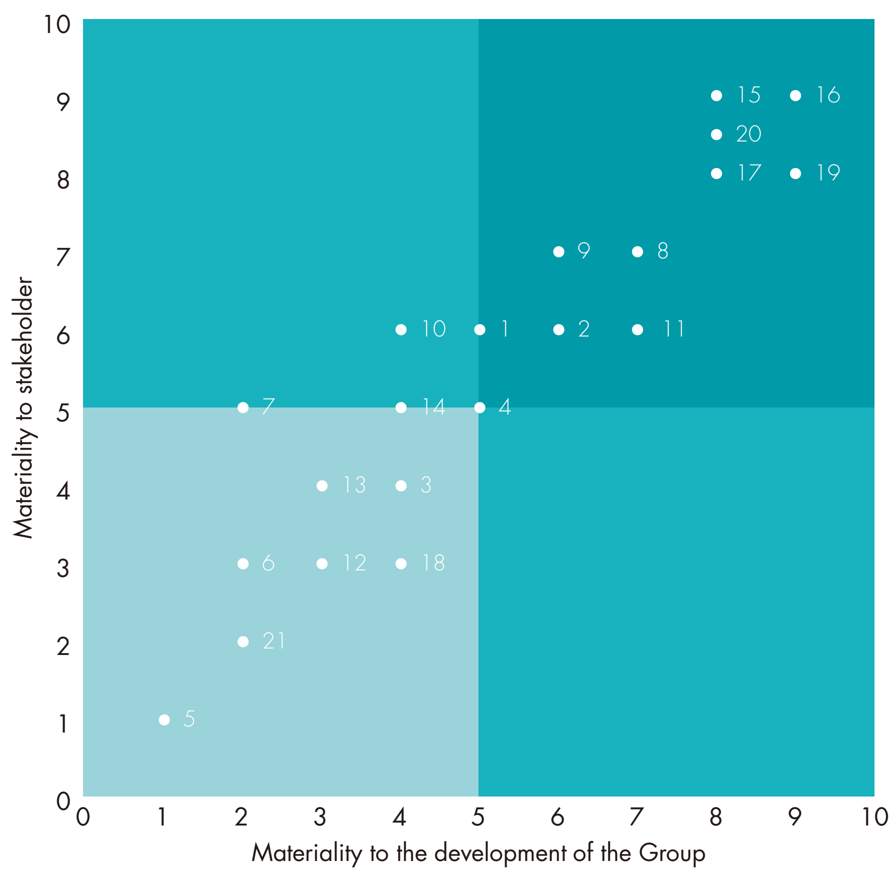
Step 2: Materiality assessment

To determine the materiality of the ESG issues, the view of the Group's senior management as well as our key stakeholders was sought. The relevance/importance of each of the ESG issues was assessed and scored according to their views on a scale of 0 to 10 (0 is irrelevant and is crucial).

Step 3: Priority

Based on the materiality assessment result, the Group prioritized the issues in two dimensions, namely, "Importance to stakeholders" and "Importance to our operation" and prepared the materiality matrix as below. The ESG issues that fall within the top right-hand quadrant are of the greatest importance.

Materiality on ESG Issues



Aspects	Major concerns
Environment	1. Air emission 2. Greenhouse gas emission 3. Wastes production 4. Natural resources consumption 5. Use of packaging materials 6. Impact on the environment 7. Climate change
Employment	8. Labour practices 9. Employee remuneration and benefits 10. Occupational safety and health 11. Employee development and training
Supply Chain Management	12. Green procurement 13. Engagement with suppliers 14. Environmental and social risk management of supply chain
Product Responsibility	15. Product/Service quality and safety 16. Customer privacy and data security 17. Marketing and promotion 18. Intellectual property rights
Anti-corruption	19. Business ethics and anti-corruption 20. Internal grievance mechanism
Community	21. Participation in philanthropy

ENVIRONMENTAL

Emissions

The Group understands and appreciates the key aspects of the PRC government's environmental protection efforts, such as reduction in pollutions, utilization of resources and social education on environmental issues. The Group has an obligation to minimize the environmental impact on daily operations and be accountable for the consumption of resources and materials.

Air emissions and Greenhouse gas ("GHG") emissions

The Group recognizes the importance of reducing our GHG emissions to drive sustainable growth of our operations as well as the society. The Group's GHG sources are primarily attributed to electricity consumption and the use of company vehicles from our offices to site visit locations. In order to minimize emissions of air pollutants and greenhouse gases, the use of teleconferencing is encouraged.

Electricity used on the business premises is the major contributor to greenhouse gas footprint. Apart from electricity consumption, the use of motor vehicles for local commutation and flights for business trips also led to the indirect emissions of greenhouse gas. The table below shows the emissions of air pollutants and GHG for the reporting period:

Type of emissions	Unit	2022	2021
Air emissions			
Nitrogen oxides	g	**2,842**	2,564
Sulphur oxides	g	**63**	57
Particular matters	g	**209**	189
GHG emissions			
Scope 1 – fuel combustion	Kg	**11,584**	10,482
Scope 2 – purchased electricity*	Kg	**133,737**	61,600
Total GHG emissions	Kg	**145,321**	72,082
GHG emission intensity	Kg/million of revenue	**1,459**	633

* the consumption of electricity increased due to the consumption of shops of Shenzhen Haosen (深圳市浩森小額貸款股份有限公司) has been included

Solid wastes

The hazardous wastes generated are mainly a limited number of lamps, batteries, and discarded office equipment such as ink cartridges. Non-hazardous waste was mainly attributed to the domestic wastes of office. Both non-hazardous wastes and hazardous wastes are handled by the property management office of the office building. Therefore, the waste disposed of is immaterial and non-hazardous. Measures for reducing and recycling the waste were put in place, such as:

- provision of umbrella stands to avoid the use of single-use umbrella bags; and
- duplex printings and reuse single-sided printed papers.

Compliance of laws and regulations

The Group constantly updated itself with the local legislation and standards for environmental protection and assessed whether these legislations and standards are related to the business of the Group and the Group's compliance status. During the year, the Group strictly complies with the relevant national environmental laws and regulations, including but not limited to the followings:

PRC	Environmental Protection Law Law on the Prevention and Control of Environmental Pollution by Solid Waste Law of Water Pollution Prevention Law on the Prevention and Control of Atmospheric Pollution the Environment Impact Assessment Law Regulation on Urban and Rural Household Waste Treatment in Guangdong Province
Hong Kong	Water Pollution Control Ordinance Air Pollution Control Ordinance Waste Disposal Ordinance

Use of resources

The Group is committed to upholding high environmental standards in order to promote environmental friendliness. As a provider of money lending services and financial leasing services, the Group strives to minimise environmental impact by reducing energy and paper consumption and encouraging recycling of office supplies and other materials.

Energy consumption

The Group's major energy consumption is derived from the lighting and air-conditioning system of offices, and measures implemented to conserve energy and reduce consumption as follows:

- maintain the indoor temperature of offices at 26°C;
- choosing environmentally friendly materials and energy-saving lighting and electrical appliances;
- idle electrical appliances are switched off; and
- regular maintenance and repair for electrical appliances to lower energy waste.

Water

The Group's operations mainly focus on providing financial services to customers, water usage is mainly from daily use by staff at offices. We encourage staff to report all leaking faucets or pipes to relevant department and turn off all taps when not in use. During the Reporting Period, there is no issue in sourcing water and no sewage are discharged.

Use of natural resources	**Unit**	**2022**	2021
Electricity consumption*	kWh	**217,106**	98,764
Electricity consumption intensity	kWh/million of revenue	**2,180**	867
Water	Tonne	**147**	186
Water consumption intensity	Tonne/million of revenue	**1.5**	1.6
Unleaded petrol	L	**4,278**	3,871
Unleaded petrol consumption intensity	L/million of revenue	**43**	54.5

* the consumption of electricity increased due to the consumption of shops of Shenzhen Haosen (深圳市浩森小額貸款股份有限公司) has been included

ENVIRONMENTAL AND NATURAL RESOURCES

Due to the nature of the business, the Group does not have any direct and significant impacts on the environment and natural resources during its operation. By taking the green initiatives mentioned above, the Group is committed to mitigating the environmental impact and acting in a manner that is both environmentally and socially responsible.

Environmental targets setting

Target	Time scale	Measures
Reduce greenhouse gas emissions from vehicles	Long term	Gradually increase the proportion of new energy power vehicles as official vehicles
		Specify the principles for using official vehicles, strictly approve the use of official vehicles and reduce the number of times they are used
		Strictly record the fuel consumption and mileage of vehicles to quantify the use of official vehicles in a transparent manner
Improve energy efficiency	Long term	Increase the proportion of energy-saving and consumption-reducing equipment, and regularly repair and upgrade the power-consuming equipment in office buildings
		Strengthen energy-saving publicity via electronic screens, energy-saving signs, etc. to encourage energy-saving acts and habits
		Make full use of natural light during office hours to eliminate maintained lights

CLIMATE CHANGES

The operations of the Group do not involve any productions and the Group is committed to manage the potential climate-related risks and to adopt environmental friendly operating measures to reduce GHG emissions. The Group has implemented risk management exercise in identifying and mitigating climate-related risks.

Physical risk – The increased frequency and severity of extreme weather events such as typhoons, storms, and heavy rains bring acute and chronic physical risks to the Group's business and the safety of our employees. To minimize the potential risks, the Group has established mitigation plans, including flexible working arrangements and precautionary measures during bad or extreme weather conditions.

Transition risk – More stringent policies and reporting requirements for corporate sustainability may expose enterprises to higher risks of claim and compliance costs. In response to the policy and legal risks, the Group constantly monitors any changes in laws or regulations to avoid cost increments, non-compliance fines or reputational risks. In addition, the Group will continue its efforts to control energy consumption and carbon emissions.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group regards employees as one of the most valuable assets of the Group and regards the personal development of its employees as highly important. Staff is the most important asset that drives the long-term development and sustainability of the Group.

As of 31 December 2022, the Group had 83 full-time staff. The diverse workforce of the Group in terms of gender, age group, region and category, is shown as below:

	No. of staff
Gender	
Male	39
Female	44
Age group	
18–30	23
31–40	32
41–50	18
51 or above	10
Region	
PRC	72
Hong Kong	11

Staff are remunerated according to the job nature, market trends and individual performance. Apart from medical insurance and mandatory provident fund, discretionary bonuses are rewarded to employees based on individual performance. Appraisal and self-assessment systems have been implemented to better identify human resources need and to support our human resources development.

Equal opportunities

Being an equal opportunities employer, the Group is committed to creating a working environment with fairness, openness and mutual trust. The Group opposes any consideration which involves discrimination not related to work and prohibits all forms of workplace discrimination, employee of the same position is remunerated on an equal basis regardless of their gender and orientation.

The Group adopts equal employment opportunity policies and treats all the employees equally. Employment, remuneration and promotion are not under the influence of social identities, such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

The Group strives to maintain employee turnover rate at an acceptable level so as to facilitate accumulation of professional skills and experience. Due to the streamlining of processes, the staff turnover rate is approximately 28%, which is categorized by gender, age group and region as follows:

Gender		Age group				Region	
Male	Female	18–30	31–40	41–50	51 or above	PRC	Hong Kong
33%	24%	32%	30%	36%	/	33%	/

Compliance with laws and regulations

During the Reporting Period, the Group was not aware of any material non-compliance with any relevant laws and regulations in relation to employment including but not limited to the following:

PRC	• Labour Contract Law • Labour Law
Hong Kong	• Employment Ordinance • Minimum Wage Ordinance • Mandatory Provident Fund Scheme Ordinance • Employees' Compensation Ordinance

Health and safety

The Group aims to provide a safe and healthy working environment to the employees and promotes the ideals of "Work happily, Live healthily". The Group organizes recreational activities, such as badminton races and basketball matches, for employees regularly. Holding recreational activity is not only able to build up the sense of belonging and team spirits among employees, but also promote the message of the importance of work-life balance to all staff.

Due to the nature of our business activities, our employees are rarely exposed to high-risk hazards that may cause serious physical injuries. In order to protect our employees' health, safety equipment including first-aid boxes and trolleys for heavy goods is available in all the offices. Any work-related injuries and personal accidents that occur during and outside office hours are required to be reported to the HR department.

Occupational health and safety statistics	2022	2021	2020
Number of lost days	**Nil**	Nil	Nil
Number of work-related fatalities	**Nil**	Nil	Nil

Compliance with laws and regulations

The Group has established and stringently implemented its internal safety and health policies in line with the relevant laws and regulations during the year, including but not limited to:

PRC	• Production Safety Law • Law on Prevention and Control of Occupational Diseases • Regulation on Work-Related Injury Insurances
Hong Kong	• Occupational Safety and Health Ordinance

Development and training

The Group encourages employees to participate in on-the-job training and continuing education to create opportunities for career development. On-the-job training is tailored to equip our workplace with the necessary knowledge and skills relevant to work. The Group also invites scholars and experts to introduce the management skills and latest industry information to employees from time to time.

Other than providing diversified on-the-job training to employees and ensuring employees able to meet the changing demands in the Group and the market. By providing continuous training, employees gain satisfaction and enjoyment from fulfilling their roles and boost morale.

To ensure every employee in different sectors of the Group receives sufficient training, training had been divided into 4 main streams:

- risk management;
- sales and marketing;
- customer due diligence; and
- assets management.

	Average training hours attended	**Percentage of staff attended training**
Gender		
Male	15	69%
Female	13	80%
Job position		
Senior management	7	23%
Management	19	90%
General staff	15	83%

Labour standards

The operation team of the Group require sophisticated training in the field of Finance or extensive exposure to the finance business. Hence the Group does not rely on labour or involved in any labour-intensive work. As such, it is almost certain that the Group would not be involved in employment of child or forced labour. Further, the employment policies of the Group focus on the individual's capabilities regarding personal traits such as gender or ethnic groups.

During the recruitment process, all job applicants are required to provide valid personal identification documents for verification purposes, while background checks may also be carried out whenever necessary.

Compliance with laws and regulations

Group has policies to protect staff's labour rights with a complaint system for staff to report their concerns and any violations of labour rights. Undoubtedly, there were no cases of child or forced labour was reported. In addition, as at the year ended 31 December 2022, the Group adhered to all laws and regulations related to child labour and forced labour, including but not limited to the following:

PRC	• Labour Contract Law • Labour Law • Law on Protection of Minors
Hong Kong	• Employment Ordinance • Minimum Wage Ordinance • Provisions on the Prohibition of Using Child Labour

OPERATING PRACTICES

Supply chain management

The Group's business nature is service-oriented. The main suppliers are third-party services providers, such as property management, information technology, legal and consulting services, office equipment, and printing suppliers.

The Group expects all its suppliers to embrace corporate social responsible value since the supply chain management is an essential part of the corporate social responsibility. As most of their suppliers are established banks and financial institutes, the Group could assess their corporate social responsibilities easily. In making decisions for procurement, factors including historical price quotations, product offering, service offering, performance and environmental and social policies by suppliers are all taken into consideration so that suppliers adhering to similar notions and offering reasonable prices are selected.

In choosing new suppliers, the Group prefers to select recycled and environmentally friendly products to minimize the environmental impacts. To provide a fair overview of supplier selection, the Group opt to select more than one supplier for comparison purpose during the primary engagement process.

During the reporting period, the Company is not aware of any major actual and potential negative impacts caused by any suppliers due to business ethics, environmental protection and improper labour measures.

Product responsibility

The Group is principally engaged in the provision of integrated financing services and related management and consultancy services. Internal control and compliance procedures are in place to ensure compliance with all relevant laws and regulations by the Group's frontline staff members. The Group also provides relevant training to its employees, thereby ensuring that employees apprehend the nature and risks underlying financial services and that they are equipped with professional knowledge sufficient for them to provide the most suitable advice to their customers under all circumstances.

The Group has obtained licences, qualifications and permits required of its business operations. The compliance department is responsible for ensuring that business operations comply with laws and regulations. Updates on relevant laws and regulations are notified to relevant operating units and employees from time to time. During the year, the Group did not become aware of any violation of any laws or regulations regarding the services we provided.

Customer services

The Group has earned trusted relationships with its broad customer base by providing dedicated customer services. In order to provide quality service to our clients, the Group communicates with our customers and confirms their expectations and direction prior to project commencement and actively coordinates with customers in the process of providing service.

When customers lodge a complaint, the Group will make every effort to investigate and resolve the disputes fairly and promptly. During the year, no complaints on our services concerning financial advisory, factoring, leasing and dealing in securities are reported.

The Group strictly abides by the Advertising Law of the People's Republic of China to implement honest promotion based on the services provided and avoid any misleading or exaggerated information.

Consumer data protection and privacy policies

The Group has access to significant financial information and personal data of the lessee, clients and potential customers; therefore, ensuring customer information privacy is one of the issues the Group cares about the most.

The Group has formulated a set of privacy principal in the collection, retention, use, security, openness and accessibility of information to ensure all lessees' information received is only for its intended purpose and to prevent information leakage, such as:

- Access control to all information of lessees;
- Requiring employees not to retain and disclose any confidential information about the Group's business and other sensitive, confidential data to any third party; and
- Requiring employees not to obtain any unnecessary information from the lessees and their associated parties.

During the year, the Group complied with the Personal Data (Privacy) Ordinance of Hong Kong.

Intellectual properties

The Group attaches great importance to the protection of intellectual property rights. In order to ensure only safe genuine computer software and system are installed, any unauthorized installation of software is prohibited. The Group also protects its intellectual property rights by the use and registration of domain names.

Anti-corruption

The Group is aware that any events of corruption will bring irreparable damage to the Group, therefore, the Group upholds a high standard of business integrity throughout its operations. A system with good moral integrity and an anti-corruption mechanism is seen to be the cornerstone of the sustainable and healthy development of the Group.

The Group has established a comprehensive mechanism for reporting and investigation procedures of related issues. The Group would terminate the employment contract with immediate effect with employees who accept any benefits from customers and suppliers. Employees are asked to notify their respective division heads of any suspicious transactions. If any employee is found to violate corruption after investigation, the Group will take disciplinary actions against the employee involved, including the termination of labour contracts with immediate effect.

Money laundering

The Group strictly implements a series of policies and procedures to prevent and detect money laundering and terrorist financing. The following measures have been taken to prevent and detect money laundering and terrorist financing:

- carries out know-your client procedures by verifying customers' identity with reference to a reliable and independent source of documents;
- reports any suspicious transactions to the relevant government department;
- maintain all essential information of customers with the Personal Data (Privacy) Ordinance;
- repayments are only made by cheque, bank transfer with customers' bank accounts; and
- provide professional training relating to current legislation and practices to employees.

During the year ended 31 December 2022, the Group has strictly complied with the laws and regulations in relation to anti-bribery, anti-money laundering and anti-corruption activities, including but not limited to:

- Criminal law of the People's Republic of China;
- Anti-Unfair Competition Law of the People's Republic of China;
- the Prevention of Bribery Ordinance of Hong Kong; and
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong.

COMMUNITY INVESTMENT

The Group recognized the importance of corporate social responsibility and encouraged employees to contribute to the community. The Group would, from time to time make other charitable donations as deemed necessary. The Group will seek opportunities to contribute to the community in the future.

Independent Auditor's Report

MOORE

Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moore.hk

大華馬施雲
會計師事務所有限公司

To the Shareholders of
Wealthy Way Group Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wealthy Way Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 171, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2022. The matter was 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 the matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

Expected credit losses ("ECLs") on loan and account receivables (Refer to Notes 5(ii), 21 and 38(b) to the consolidated financial statements)	
As at 31 December 2022, the gross loan and account receivables and its related ECLs allowance amounted to approximately RMB660,933,000 (2021: RMB633,281,000) and RMB47,522,000 (2021: RMB38,616,000) respectively. The determination of allowances for impairment of loan and account receivables using the ECL model is subject to a number of key parameters and assumptions, including the identification of loss stages, the risk of default, loss given default and adjustment for forward-looking information, etc. Management judgement is involved in the selection of the parameters and the application of the assumptions. In particular, the determination of the allowances for impairment of loan and account receivables is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL for loan and account receivables are derived from estimates whereby management takes into consideration historical overdue data, the credit grading, the historical loss experience on loan and account receivables and other adjustment factors. 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 borrowers, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors, if any. 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 allowances for impairment as at the end of the reporting period.	Our key procedures to address the matter included: – We obtained an understanding of the Group's credit risk management and practices and assessed the Group's ECLs impairment policy in accordance with the requirement of HKFRS 9 Financial Instruments including an evaluation of management judgement on (i) the level of disaggregation of portfolios for ECLs assessment; (ii) the use of reasonable and supportable credit risk information that is available without undue cost or effort; and (iii) the staging criteria of determining if a significant increase in credit risk has occurred. – We tested the appropriateness of the Group's determination of significant increase in credit risk and the basis for classification of exposures into 3 stages. The testing included the checking to loan overdue information, loan-to-value percentage or other related information, and considering the stage classification determined by the Group. – We evaluated and tested the effectiveness of design and implementation of key controls over the origination, ongoing internal credit quality assessments, recording and monitoring of loan and account receivables, and application of the impairment methodology. – We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. – We assessed the application of ECLs methodology and checked the assumptions and parameters to external data sources when available.

Expected credit losses ("ECLs") on loan and account receivables (Refer to Notes 5(ii), 21 and 38(b) to the consolidated financial statements) (continued)	
We have identified the management's ECLs assessments on its loan and account receivables as a key audit matter because the carrying amount of the loan and account receivables as at 31 December 2022 was significant and the ECLs assessment on these receivables required significant management judgement and involved high level of uncertainty.	Our key procedures to address the matter included: (continued) – We assessed the ECLs allowance made by the Group by examining the loan credit files and underlying documentation, deposits received and other evidence supporting the repayment records, the value of collateral and/or credit enhancement, information regarding the current creditworthiness and any significant changes in credit quality of the borrowers, evidence of subsequent settlement and other relevant information and other sources of cash flows, and developed a reasonable range of expected cash shortfall for comparison with the Group's assessment. – We assessed the effectiveness and marketability of collaterals, including considering independent legal opinion obtained by the Group, if any, valuation of collaterals and timing required for converting collaterals into cash in the case of default. – We assessed the reasonableness and relevancy of the external information used by the Group as the forward looking information including economic data and forecasts published by government bodies and monetary authorities, such as GDP growth rates, unemployment rates, and especially, the market data with particular focus on the impact of pandemic. – We examined the valuation of collaterals including (i) evaluated the independence, competence, capabilities, and relevant experience of the independent professional valuers; (ii) assessed the appropriateness of the valuation methodology, assumptions and judgement used by the management; and (iii) evaluated the appropriateness of the key inputs used in the valuation by checking to the external data, if applicable.

Expected credit losses ("ECLs") on loan and account receivables (Refer to Notes 5(ii), 21 and 38(b) to the consolidated financial statements) (continued)	
	Our key procedures to address the matter included: (continued) – We evaluated the reasonableness of the ECL allowances and test the mathematical accuracy of the ECL calculation of loan and account receivables. – We evaluated the adequacy and appropriateness of the disclosures of credit risk and ELCs allowances of loan and account receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 December 2022 other than the consolidated financial statements and our auditor's report thereon (the "Other Information").

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 the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 the consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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 of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matter communicated with the audit committee, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter 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.

Moore Stephens CPA Limited
Certified Public Accountants

Ng Ngai Yan
Practising Certificate Number: P07422

Hong Kong, 24 March 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	7	**99,588**	113,871
Other income	7	**18,314**	10,764
Employee benefit expenses	9	**(22,116)**	(22,659)
Depreciation	9	**(2,475)**	(3,003)
Other operating expenses		**(15,748)**	(23,591)
Impairment loss on intangible assets	16	**(3,369)**	–
(Provision for)/reversal of expected credit losses ("ECLs") on loan and account receivables, net		**(20,160)**	7,248
Finance costs	8	**(19,081)**	(24,853)
Profit before income tax	9	**34,953**	57,777
Income tax expense	11	**(10,841)**	(17,558)
Profit for the year		**24,112**	40,219
Profit for the year attributable to:			
Equity holders of the Company		**24,112**	30,582
Non-controlling interests		**–**	9,637
		24,112	40,219
Other comprehensive (expenses)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(243)**	(788)
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation		**(1,589)**	848
Fair value (loss)/gain on financial asset at fair value through other comprehensive income ("FVOCI")	17	**(10,342)**	4,889
Other comprehensive (expenses)/income for the year, net of income tax		**(12,174)**	4,949
Total comprehensive income for the year		**11,938**	45,168
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**11,938**	35,531
Non-controlling interests		**–**	9,637
		11,938	45,168
Earnings per share attributable to equity holders of the Company	13		
Basic		**15.40 cents**	19.58 cents
Diluted		**14.74 cents**	18.78 cents

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,163**	1,681
Right-of-use assets	15(a)	**1,456**	3,063
Intangible assets	16	**–**	3,202
Financial asset at FVOCI	17	**–**	38,085
Deposits for further acquisition of interest in a non-wholly owned subsidiary	18	**–**	–
Other assets	19	**402**	387
Loan and account receivables	21	**313,581**	288,545
Prepayments, deposits and other receivables	20	**27**	309
Deferred tax assets	30	**53,787**	52,440
		370,416	387,712
Current assets			
Loan and account receivables	21	**299,830**	306,120
Prepayments, deposits and other receivables	20	**1,019**	752
Tax recoverable		**–**	1,301
Bank balances and cash	23	**58,288**	100,200
		359,137	408,373
Current liabilities			
Account payables	24	**8,949**	16,408
Deposits from financial leasing customers	25	**1,590**	3,189
Accruals and other payables	26	**27,082**	32,704
Amounts due to related parties	22	**2,552**	641
Lease liabilities	15(b)	**1,264**	1,656
Dividend payable		**1,449**	818
Promissory note	28	**4,186**	–
Bond payable	29	**17,688**	16,301
Bank borrowing	27	**100,023**	99,202
Tax payable		**8,726**	655
		173,509	171,574
Net current assets		**185,628**	236,799
Total assets less current liabilities		**556,044**	624,511

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Deposits from financial leasing customers	25	**1,340**	4,125
Lease liabilities	15(b)	**317**	1,536
Promissory note	28	**–**	77,793
		1,657	83,454
Net assets		**554,387**	541,057
EQUITY			
Share capital	31	**1,358**	1,358
Reserves	32	**553,029**	539,699
Total equity attributable to equity holders of the Company		**554,387**	541,057
Non-controlling interests		**–**	–
Total equity		**554,387**	541,057

The accompanying notes form an integral part of the consolidated financial statements.

The consolidated financial statements on pages 56 to 171 were approved and authorised for issue by the Board of Directors on 24 March 2023 and were signed on its behalf by:

Lo Wai Ho
Director

Xie Weiquan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital RMB'000 (Note 31)	Proposed final dividend# RMB'000 (Note 12)	Share premium# RMB'000 (Note 32(i))	Share-based payment reserve# RMB'000 (Note 32(ii))	Exchange reserve# RMB'000 (Note 32(iii))	Other reserve# RMB'000 (Note 32(iv))	Statutory surplus reserve# RMB'000 (Note 32(v))	Financial asset at FVOCI reserve# RMB'000 (Note 32(vi))	(Accumulated loss)/ Retained profits# RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 42(b))	Total equity RMB'000
At 1 January 2021	1,349	–	227,853	6,136	(813)	239,883	47,821	5,453	(24,432)	503,250	170,626	673,876
Comprehensive income:												
Profit for the year	–	–	–	–	–	–	–	–	30,582	30,582	9,637	40,219
Other comprehensive income:												
Exchange differences arising on translation	–	–	–	–	60	–	–	–	–	60	–	60
Fair value gain on financial asset at FVOCI (Note 17)	–	–	–	–	–	–	–	4,889	–	4,889	–	4,889
Total comprehensive income for the year	–	–	–	–	60	–	–	4,889	30,582	35,531	9,637	45,168
Transactions with equity holders of the Company:												
Equity settled share-based payment (Note 40)	–	–	–	162	–	–	–	–	–	162	–	162
Issue of shares upon exercise of share options (Note 31)	9	–	6,244	(487)	–	–	–	–	–	5,766	–	5,766
Share options lapsed (Note 40)	–	–	–	(1,099)	–	–	–	–	1,099	–	–	–
	9	–	6,244	(1,424)	–	–	–	–	1,099	5,928	–	5,928
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,915)	(3,915)
Proposed final dividend (Note 12)	–	3,829	(3,829)	–	–	–	–	–	–	–	–	–
Acquisition of additional interests in a subsidiary (Note 18)	–	–	–	–	–	(3,652)	–	–	–	(3,652)	(176,348)	(180,000)
Transferred to statutory surplus reserve	–	–	–	–	–	–	4,299	–	(4,299)	–	–	–
At 31 December 2021	1,358	3,829	230,268	4,712	(753)	236,231	52,120	10,342	2,950	541,057	–	541,057

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2022

	Share capital RMB'000 (Note 31)	Proposed final dividend# RMB'000 (Note 12)	Share premium# RMB'000 (Note 32(i))	Share-based payment reserve# RMB'000 (Note 32(ii))	Exchange reserve# RMB'000 (Note 32(iii))	Other reserve# RMB'000 (Note 32(iv))	Statutory surplus reserve# RMB'000 (Note 32(v))	Financial asset at FVOCI reserve# RMB'000 (Note 32(vi))	Retained profits# RMB'000	Total RMB'000
At 31 December 2021 and at 1 January 2022	1,358	3,829	230,268	4,712	(753)	236,231	52,120	10,342	2,950	541,057
Comprehensive income:										
Profit for the year	–	–	–	–	–	–	–	–	24,112	24,112
Other comprehensive expenses:										
Exchange differences arising on translation	–	–	–	–	(1,832)	–	–	–	–	(1,832)
Fair value loss on financial asset at FVOCI (Note 17)	–	–	–	–	–	–	–	(10,342)	–	(10,342)
Total comprehensive (expenses)/income for the year	–	–	–	–	(1,832)	–	–	(10,342)	24,112	11,938
Transactions with equity holders of the Company:										
Equity settled share-based payment (Note 40)	–	–	–	931	–	–	–	–	–	931
Share options lapsed (Note 40)	–	–	–	(2,625)	–	–	–	–	2,625	–
	–	–	–	(1,694)	–	–	–	–	2,625	931
Final dividend (Note 12)	–	(3,829)	–	–	–	–	–	–	–	(3,829)
Proposed final dividend (Note 12)	–	4,154	(4,154)	–	–	–	–	–	–	–
Gain on modification of terms of promissory note held by a related party (Note 28)	–	–	–	–	–	4,290	–	–	–	4,290
Transferred to statutory surplus reserve	–	–	–	–	–	–	1,492	–	(1,492)	–
At 31 December 2022	1,358	4,154	226,114	3,018	(2,585)	240,521	53,612	–	28,195	554,387

These reserves accounts comprise the consolidated reserves of approximately RMB553,029,000 (2021: RMB539,699,000) in the consolidated statement of financial position.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Profit before income tax		**34,953**	57,777
Adjustments for:			
Bank interest income	7	**(711)**	(306)
Dividend income	7	**(10,303)**	(8,771)
Interest expense	8	**19,081**	24,853
Depreciation of property, plant and equipment	9	**782**	917
Depreciation of right-of-use assets	9	**1,693**	2,086
Impairment loss on intangible assets	16	**3,369**	–
Provision for/(reversal of) ECLs on loan and account receivables, net		**20,160**	(7,248)
(Recovery of)/write off of bad debts of loan and account receivables, net	9	**(2,866)**	2,600
Equity-settled share-based payments	40	**931**	162
Gain on early redemption of bonds	7	**–**	(175)
(Gain)/loss on disposal of property, plant and equipment, net	9	**(3)**	202
Gain on termination of lease	7	**–**	(67)
Operating profit before working capital changes		**67,086**	72,030
(Increase)/decrease in loan and account receivables		**(35,397)**	415,996
Decrease in prepayments, deposits and other receivables		**69**	2,158
Decrease in clients' monies in segregated account		**8,922**	5,314
Decrease in accounts payables		**(8,583)**	(7,288)
Increase/(decrease) in accruals and other payables		**3,040**	(5,373)
Decrease in deposits from financial leasing customers		**(4,384)**	(403)
Cash generated from operations		**30,753**	482,434
Income tax paid		**(2,792)**	(8,277)
Net cash generated from operating activities		**27,961**	474,157
Cash flows from investing activities			
Refund of deposit paid to acquire interest in a company		**–**	30,000
Refund from capital reduction of financial assets at FVOCI	17	**25,312**	–
Proceeds from disposal of financial assets at FVOCI	17	**2,431**	–
Dividend income received from financial assets at FVOCI	17	**10,303**	8,771
Interest received from bank deposits	7	**711**	306
Purchase of property, plant and equipment	14	**(172)**	(359)
Proceeds from disposal of property, plant and equipment		**11**	378
Net cash generated from investing activities		**38,596**	39,096

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Interest paid		**(7,888)**	(13,447)
Proceeds from bank loans		**100,000**	99,000
Repayment of bank loans		**(99,179)**	(504,874)
Advance from related parties		**1,911**	421
Repayment of lease liabilities (including interest paid)	15	**(1,898)**	(2,333)
Repayment of promissory note	28	**(90,000)**	–
Repayment of bonds	29	**(16,350)**	(16,603)
Proceeds from issuance of bonds	29	**16,335**	–
Proceeds from issuance of shares upon exercise of share options	31	**–**	5,766
Deposits paid to further acquire of interest in a non-wholly owned subsidiary	18	**–**	(77,000)
Dividend paid		**(3,285)**	(15,997)
Net cash used in financing activities		**(100,354)**	(525,067)
Net decrease in cash and cash equivalents		**(33,797)**	(11,814)
Cash and cash equivalents at beginning of the year		**83,675**	96,171
Effect of foreign exchange rate changes		**(318)**	(682)
Cash and cash equivalents at end of the year	23	**49,560**	83,675

The accompanying notes form an integral part of the consolidated financial statements.

1. GENERAL INFORMATION

Wealthy Way Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2015 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing") by way of placing and public offer of shares on 21 July 2017. The registered office of the Company is P.O. Box 1350, Regatta Office Park, Windward 3, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is at Room 02, 34/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are (i) provision of financial leasing, factoring and financial advisory services in the People's Republic of China (the "PRC"); (ii) provision of small loans comprising the personal, corporate and subordinated property mortgage loans and related loan facilitation services in the PRC; and (iii) provision of investment management and advisory services, securities dealing and broking services and other financial services in Hong Kong. In the opinion of the directors of the Company, the ultimate holding company of the Group is Wealthy Rise Investment Limited ("Wealthy Rise"), a company incorporated in the British Virgin Islands ("BVI") which is wholly owned by Mr. Lo Wai Ho ("Mr. Lo").

2. BASIS OF PREPARATION AND PRESENTATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also comply with applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

These consolidated financial statements have been prepared on historical cost basis. The consolidated financial statements are presented in Renminbi ("RMB"). All values are rounded to the nearest thousand except when otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2021 except for the application of certain amendments to HKFRSs that are relevant to the Group and effective from the current period as set out in Note 3.

It should be noted that accounting estimates and assumptions have been used in preparation of these consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 5 "Significant accounting judgements and estimates".

3. APPLICATION OF NEW OR AMENDMENTS TO HKFRSs

Amendments to HKFRSs in issue and effective

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the accounting period beginning on 1 January 2022 for the preparation of the Group's consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

In addition, the Group has adopted the Amendments to AG 5 (Revised) – Merger Accounting for Common Control Combination.

The application of these amendments to HKFRSs and AG 5 in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New or amendments to HKFRSs in issue but not yet effective

The Group has not early applied any of the following new or amendments to HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements:

		Effective for annual reporting periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments#	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The amendments were originally intended to be effective for periods beginning on or after 1 January 2021. The effective date has now been extended to 1 January 2023.

* The amendments shall be adopted prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group has already commenced an assessment of the related impact of applying the above new or amendments to HKFRSs. So far, it has concluded that the above new or amendments to HKFRSs will be applied at the respective effective dates and the application of them is unlikely to have a significant impact on these consolidated financial statements of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. Control is achieved when the Company has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally, control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below.

Consolidation

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Business combination not under common control

Optional concentration test

Effective from 1 January 2021, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the concentration test is not met, or if the Group elects not to apply the test, the Group shall then perform the assessment to determine if the inputs and substantive process that together significantly contribute to the ability to create output are present, and to determine whether the set of activities and assets is a business.

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 Financial Instruments ("HKFRS 9") in the profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of changes in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Non-controlling interests

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the equity holders of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiary

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost, less provision for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item and the cost of such item can be measured reliably, the expenditure is capitalised as an additional cost of the item.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate their costs to their residual value over the estimated economic useful life of the individual assets, as follows:

Leasehold improvements	The shorter of the lease terms and 3 to 5 years
Furniture and office equipment	3 to 10 years
Motor vehicles	3 to 10 years

The assets' residual values economic useful life and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

When an item of property, plant and equipment is sold, its cost and accumulated depreciation are derecognised and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss.

4.4 Lease

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.

(A) As a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease (Continued)

(A) As a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. The Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The cost of right-of-use assets

The cost of right-of-use assets includes:

– the amount of the initial measurement of lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– where applicable, an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the underlying the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, discounted to their present value under HKAS 37 "Provisions, contingent liabilities and contingent assets".

The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (see Note 4.2), and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets for buildings are depreciated on a straight-line basis over the shorter of its estimated useful life on the same basis as owned. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease (Continued)

(A) As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of the lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

– fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;

– the amount expected to be payable by the Group under residual value guarantees;

– the exercise price of purchase options, if the Group is reasonably certain to exercise the option; and

– payments of penalties for terminating the lease, if the lease term reflects the Group exercising of an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability right-of-use assets, and are recognised as expense in the accounting period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments changes due to changes in market rental rates following a market rent review or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease (Continued)

(A) As a lessee (Continued)

Lease modifications

Except for COVID-19-related rent concession in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discounted rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant 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.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease (Continued)

(B) 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.

Amounts due from lessees under finance leases are recorded as loan receivables at the commencement date at the amount of the Group's net investment in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Financial leasing income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Allocation of consideration to components of a contract

The Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transaction

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope HKFRS 9.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

The Group's intangible assets represent the trading rights to dealing of securities in the Stock Exchange and the licences granted by Securities and Futures Commission (the "SFC").

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful life is provided on a straight-line basis over its estimated useful life. Intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is revised annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment form being indefinite to finite is accounted for on a prospective basis.

Intangible assets are tested for impairment as described in Note 4.2 to the consolidated financial statements.

4.6 Employee benefits

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

The short-term employee benefits are accrued in the year in which the associated services are rendered by employees.

The Group participates in defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are charged to profit or loss as they are paid/become payable in accordance with the rules of the scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The Group has no legal or construction obligations to pay further contributions after payment of the fixed contributions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Employee benefits (Continued)

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

(iii) Termination benefits

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

4.7 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

The Group assesses the classification and measurement of a financial asset based on the contractual cash flows characteristics of the asset and the Group's business model for managing the asset.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at FVOCI:

– the financial asset is held within a business model whose objective is to collect contractual cash flows and selling; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

All other financial assets are subsequently measured at FVPL, except that at the date of initial adoption/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

Financial assets are classified as FVPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of business combination to which HKFRS applies; (ii) held for trading; or (iii) it is designated at FVPL.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business model for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregate rather than on instrument-by-instrument basis.

The Group's business models for managing its financial instrument reflects how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called "worst case" or "stress case" scenarios. The Group takes into account all relevant evidence available such as:

– how the performance of the business model and the financial assets held within the business model are evaluated and reported to the entity's key management personnel;

– the risks that affect the performance of the business model and, in particular, the way in which these risks are managed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (Continued)

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the expected credit loss ("ECL") assessment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting period, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income which are derived from the Group's ordinary course of business are recognised in profit or loss and included in the "Revenue" line item.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVOCI

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group subsequently measures all equity investments at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the "Financial asset at FVOCI reserve". Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as "Other income" when the Group's right to receive payments is established.

For the investment in debt instruments, they are subsequently measured at fair value. Interest income calculated using effective interest method. Impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income" line item.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loan and account receivables, deposits and other receivables, amount due from related party and cash and cash equivalents) The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12-m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

The Group always recognises simplified approach and recorded lifetime ECLs for the financial leasing receivable and account receivables from financial advisory and loan facilitation services and securities dealing and broking business (arising from cash clients and clearing house) and contract assets (if any) that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances.

For other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in this likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial assets being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, government bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

– an actual or expected significant adverse change in regulatory, economic or technological environment of the debtor that results in a significant decrease in debtor's abilities to meet the debt obligations; and

– past due information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For account receivables from margin client, the Group will also consider there has been a significant increase in credit risk when clients cannot meet the margin call requirement and uses the loan-to-collateral value ("LTV") to make its assessment.

Depending on the nature of the financial assets, 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 assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when: (1) 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 (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Definition of default (Continued)

However, in certain case, the Group may also consider a margin client receivable to be in default when there is a margin shortfall which indicates the Group is unlikely to receive the outstanding contractual amounts in full taking into account the pledged securities held by the Group.

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the borrower;

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

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

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

– the disappearance of an active market for that financial asset because of financial difficulties.

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both quantitative and qualitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impaired which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group reassesses whether the financial assets measured at amortised cost are credit-impaired at each reporting date.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of account receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, these are represented by the assets' gross carrying amount at the reporting date.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For financial leasing receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

– nature of financial instruments (i.e. the Group's loan and account receivables, deposits and other receivables are each assessed as a separate group. Advance to a related party are assessed for ECLs on an individual basis);

– past-due status;

– nature, size and industry of debtors; and

– external credit ratings where available.

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

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-m ECL at the current reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL (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).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

The Group classifies its financial liabilities at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Financial liabilities subsequently measured at amortised cost

After initial recognition, the financial liabilities including account payables, deposits from financial leasing customers, dividend payable, accruals and other payables, lease liabilities, amounts due to related parties, the debt components of bond payable and promissory note and bank borrowings are subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are recognised as financial liability at the time the guarantee is issued, and are initially measured at their fair values, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial guarantee contracts (Continued)

Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies over the guarantee period.

The fair value of financial guarantee is determined based on the present value of the differences in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fee received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting of financial instruments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Share-based payments

The Group operates a share option scheme for remuneration of its employees (including the directors of the Company) and other eligible participants.

The employee services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the share options granted. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

For the services received from the parties other than employees, there shall be a rebuttable presumption that the fair value of the services received can be estimated reliably. The fair value shall be measured at the date the counterparties render service. If the entity rebuts the presumptions because it cannot estimate reliably the fair value of the services received, the entity shall measure the services received, indirectly by reference to the fair value of the share options awarded.

All services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in "Share-based payment reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and demand deposits, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Provisions

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

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

4.11 Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carried forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carried forward unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.12 Fair value measurement

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount the reflects the consideration to which the entity expects to be entitled in exchange for those services. Specially, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognised revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

– direct measurements of the value transferred by the Group to the customer; or

– the Group's efforts or inputs to the satisfaction of the performance obligation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for ECL in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for a presented on a net basis.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing incremental costs to obtain contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its consultancy service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

– the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

– the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

– the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to ECL review.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

Costs to fulfil a contract (Continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. The customer pays the fixed amount based on a payment schedule.

If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(a) Interest income

Interest income from financial asset is recognised as revenue in profit or loss over the terms of the contracts, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's amortised cost.

(b) Financial advisory fee income

The Group provides customised financial advisory services to its customers. The Group conducts feasibility studies on various financing solutions, design financing structures and solutions based on the credit profiles of its customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised progressively over time using the cost-to-cost method, i.e. input method based on the proportion of the actual staff costs incurred relative to the estimated total staff costs because the Group has the right to be paid for work done to date if the customer were to cancel the service agreement before the consulting services was fully completed.

(c) Loan facilitation service income

The total service fees are collected partially upfront at the inception of the loan and the remaining fees are collected subsequently on a monthly basis over the loan period. The consideration received from the borrowers generally includes the services fees for facilitating loan origination (matching of investors and borrowers and facilitating the execution of loan agreements) and for providing ongoing monthly services (cash processing services and collection services). The service fee of upfront loan facilitation is recognised as revenue upon execution of loan agreements while the service fee of post loan facilitation services is deferred and recognised over the period of the loan on a straight-line method, which approximates the pattern of when the underlying services are performed. When the cash received is different from the revenue recognised, a "Contract Asset" or "Contract Liability" shall be recognised in the consolidated statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

Costs to fulfil a contract (Continued)

(d) Commission and brokerage income from security dealing

The Group provides broking services to customers on securities trading. Commission and brokerage income at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trade executed.

(e) Placing and underwriting service income

The Group provides underwriting, sub-underwriting and placing services to customers. Revenue is recognised at a point in time when the relevant underwriting, sub-underwriting and placing activities are completed. Payments are received in accordance to the completion of relevant underwriting, sub-underwriting and placing activities as specified in the agreement. The period from satisfaction of the performance obligation to receipt of consideration is usually within one year or less.

4.14 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under “Other income” in the consolidated statement of comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$'000"). The consolidated financial statements is presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates or at the average rate over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 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 key management personnel of the Group or the parent of the Company.

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

(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;

(v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity); or

(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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the adoption 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.

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.

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

(i) Timing of satisfaction of performance obligation for post loan facilitation services

The recognition of post loan facilitation services income requires judgements by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details of the terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

The Group considers the post loan facilitation services and ongoing management monthly services as distinct performance obligations. In respect of the upfront facilitation services, the directors of the Company have assessed that the customers consume benefits only after the Group performed the obligation (i.e. successfully matched the lenders and the customers and facilitated the execution of agreements), the service fee income is satisfied at a point in time and is recognised as revenue upon the dispatch of loans to customers. In respect of the post loan facilitation services, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performance as the Group performs. The Group is required to provide the necessary services to the customers over the loan period. Therefore, the directors of the Company have satisfied that the performance obligation in respect of the service fee income is satisfied over time and have recognised such income over the loan period.

Despite the post loan facilitation services and ongoing management monthly services are distinct performance obligations, the Group does not provide these services separately, and the third-party evidence of selling price does not exist either, as public information is not available regarding the amount of fees competitors charge for these services. As a result, the Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different deliverables as the basis for allocation. When estimating the selling prices, the Group considers the cost related to such services, profit margins, customers demand, effect of competition, and other market factors, if applicable.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(ii) Allowance for ECLs on loan receivables

The allowance for ECLs on the loan receivables are estimated based on assumptions about the risk of default and credit risk of respective receivables. The loss allowance amount is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective receivables. Such assessment involves high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECLs or material reversal of ECLs may arise, accordingly.

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

As explained in Note 4.7, ECL are measured as an allowance equal to 12-m ECL or lifetime ECL for respective receivables. An asset will use lifetime ECL when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account quantitative and qualitative reasonable and supportable forward looking information including available customers' historical data and existing and forecast market conditions.

Model and assumptions used

ECLs on the loan receivables which are not assessed to be credit-impaired are estimated using a calculation model using observable data as at the end of the reporting period, including the difference between (i) the effective interest rates of interest charged by the Group for similar categories of the loans and the risk-free rate of respective regions; (ii) administrative service cost of the Group; and (iii) the weighting of the loan receivables under different categories of loan receivables at each of the reporting dates, and GDP growth and unemployment rate, etc. Judgements is applied in identifying the most appropriate ECL model as well as for determining the assumption used in the model, including those relate to key drivers of credit risk.

The Group's allowance for ECLs on loan receivables may also take into account the subsequent settlement, collateral valuation and the management's judgement on the effectiveness and marketability of the collateral properties and customers' capability of payment at the estimated valuation and the actual valuation may differ from the estimation.

(iii) Estimation of current tax and deferred tax

The Group is subject to income taxes in jurisdictions in which the group entities operates. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is subject to the final approval of annual tax return the group entities filed with the relevant tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(iv) Fair value measurement of financial instruments

One of the Group's financial instruments is measured at fair value for the financial reporting purpose. The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by the management with the assistance of an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. A degree of judgement is also required including consideration of parameters such as liquidity risk, credit risk, size premium and volatility. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices. Detailed information in relation to the fair value measurement of the respective financial instruments are set out in the applicable notes.

6. SEGMENT INFORMATION

HKFRS 8, Operating Segments, required identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company, for the purpose of resources allocation and performance assessment.

The Group's operating and reportable segments under HKFRS 8 are as follows:

(i) Finance lease and factoring related services – Provision of (a) direct finance leasing; (b) sale and leaseback; (c) factoring; and (d) related advisory services in the PRC.

(ii) Micro credit and loan facilitation related services – Provision of (a) micro-credit to individuals, corporates and subordinated property mortgage; and (b) post loan facilitation related services in the PRC.

(iii) Securities dealing and broking and other financial services – Provision of securities brokerage, share placing and margin financing and other financial services in Hong Kong.

The Group's operating segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Total RMB'000
For the year ended 31 December 2022				
Revenue				
External income	3,050	95,222	1,316	99,588
Segment results	10,600	42,901	(5,293)	48,208
Unallocated corporate income				2,830
Unallocated corporate expenses				(16,085)
Profit before income tax				34,953
Income tax expense				(10,841)
Profit for the year				24,112

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Total RMB'000
For the year ended 31 December 2021				
Revenue				
External income	23,278	86,309	4,284	113,871
Segment results	21,880	52,209	3,079	77,168
Unallocated corporate income				175
Unallocated corporate expenses				(19,566)
Profit before income tax				57,777
Income tax expense				(17,558)
Profit for the year				40,219

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represents profit earned by or loss incurred from each segment without allocation of certain other income and other operating expenses. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance. There were no inter-segment sales for the year.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities by operating and reportable segment:

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Total RMB'000
For the year ended 31 December 2022				
Segment assets	77,129	570,372	25,538	673,039
Deferred tax assets				53,787
Unallocated corporate assets				2,727
Consolidated total assets				729,553
Segment liabilities	10,472	119,305	9,599	139,376
Tax payable				8,726
Promissory note				4,186
Bond payable				17,688
Unallocated corporate liabilities				5,190
Consolidated total liabilities				175,166

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Total RMB'000
For the year ended 31 December 2021				
Segment assets	118,337	537,270	44,554	700,161
Tax recoverable				1,301
Deferred tax assets				52,440
Financial asset at FVOCI				38,085
Unallocated corporate assets				4,098
Consolidated total assets				796,085
Segment liabilities	12,453	115,688	17,000	145,141
Tax payable				655
Promissory note				77,793
Bond payable				16,301
Unallocated corporate liabilities				15,138
Consolidated total liabilities				255,028

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performances and allocating resources between segments:

– All assets are allocated to operating segments other than tax recoverable, financial asset at FVOCI, deferred tax assets and unallocated corporate assets.

– All liabilities are allocated to operating segments other than promissory note, bond payable, tax payable and unallocated corporate liabilities.

Other segment information

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2022					
Additions to non-current assets*	–	172	–	–	172
Depreciation of property, plant and equipment	(46)	(256)	(4)	(476)	(782)
Depreciation of right-of-use assets	(137)	(577)	(94)	(885)	(1,693)
Impairment loss on intangible assets	–	–	(3,369)	–	(3,369)
Recovery of bad debt on loan and account receivables, net	100	2,766	–	–	2,866
(Provision for)/reversal of ECLs on loan and account receivables, net	(1,240)	(19,409)	489	–	(20,160)
Gain on disposal of property, plant and equipment	–	3	–	–	3

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2021					
Additions to non-current assets*	35	314	10	–	359
Depreciation of property, plant and equipment	(97)	(349)	(3)	(468)	(917)
Depreciation of right-of-use assets	(267)	(868)	(94)	(857)	(2,086)
Bad debts written off of loan and account receivables, net	–	(2,600)	–	–	(2,600)
Reversal of ECLs on loan and account receivables, net	3,237	1,768	2,243	–	7,248
Loss on disposal of property, plant and equipment	(154)	(48)	–	–	(202)

* Non-current assets included property, plant and equipment only.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets other than financial instruments and deferred tax assets, is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets as at 31 December	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
The PRC	**98,272**	109,587	**1,487**	2,304
Hong Kong	**1,316**	4,284	**1,132**	5,642
	99,588	113,871	**2,619**	7,946

Information about major customers

None of the customers of the Group individually contributed 10% or more of total revenue of the Group for the year ended 31 December 2022 (2021: Same).

7. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Point in time		
– Commission and brokerage income from securities dealing	721	1,475
– Placing and underwriting service income	–	34
Over time#		
– Post loan facilitation service income	377	12,207
– Financial advisory services income		
– Financial leasing advisory services income	–	937
– Other financial advisory service income	–	2
	1,098	14,655
Revenue from other sources*		
– Interest income from financial leasing	3,050	17,810
– Interest income from factoring	–	4,529
– Interest income from small loans	94,845	74,102
– Interest income from margin financing	310	976
– Interest income from other loans	285	1,799
	98,490	99,216
Total revenue	99,588	113,871
Other income		
Bank interest income	711	306
Dividend income from financial assets at FVOCI (Note 17)	10,303	8,771
Gain on disposal of property, plant and equipment	3	–
Gain on termination of lease (Note 15)	–	67
Gain on early redemption of bonds (Note 29)	–	175
Government grant	414	45
Handlings service charges	123	231
Other taxes refund	666	358
Referral fee	2,686	–
Recovery of bad debts on loan and account receivables, net	2,866	–
Sundry income	542	811
	18,314	10,764

* Interest income were calculated using the effective interest income according to HKFRS 9. All the interest income disclosed in the above came from financial assets not at FVPL.

\# The Group applies the practical expedient in paragraph 21 of HKFRS 15 and does not disclose information about remaining performance obligation that have original expected duration of one year or less.

8. FINANCE COST

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings	**7,855**	13,335
Interest on lease liabilities (Note 15(b))	**197**	287
Interest on bond payable (Note 29)	**1,280**	2,173
Interest on promissory note (Note 28)	**9,749**	9,058
	19,081	24,853

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2022 RMB'000	2021 RMB'000
Auditor's remuneration		
– Audit services	**754**	731
Depreciation charged on:		
– property, plant and equipment (Note 14)	**782**	917
– right-of-use assets (Note 15)	**1,693**	2,086
	2,475	3,003
Employee benefit expenses (including directors' emoluments (Note 10))		
– Salaries, allowances and benefits in kind	**18,413**	19,742
– Retirement benefit scheme contributions (Note)	**2,772**	2,820
– Equity settled share-based payment	**931**	97
	22,116	22,659
Equity settled share-based payment (Note 40)		
– Employee benefit expenses (as above)	**931**	97
– Referral fees/Consultancy fees	**–**	65
	931	162
Commission paid	**4,697**	10,243
Operating lease expenses (Note 15(c))	**533**	343
Foreign exchange difference, net	**(537)**	481
(Gain)/loss on disposal of property, plant and equipment, net	**(3)**	202
(Recovery of)/write off of bad debts of loan and account receivables, net	**(2,866)**	2,600

Note: As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2021: Nil).

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Directors and chief executive emoluments

Details of emoluments paid and payable by the entities comprising the Group to the directors of the Company (including emoluments for his/her services as the employees/directors of the Group entities prior to becoming the directors of the Company) during the year are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Equity settled share-based payments	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022						
Executive directors						
Mr. Lo (Note (i))	**514**	**–**	**15**	**–**	**–**	**529**
Mr. Xie Weiquan ("Mr. Xie")	**103**	**408**	**41**	**–**	**–**	**552**
Independent non-executive Directors						
Mr. Ha Tak Kong ("Mr. Ha")	**154**	**–**	**–**	**–**	**–**	**154**
Mr. Ip Chi Wai ("Mr. Ip")	**154**	**–**	**–**	**–**	**–**	**154**
Mr. Kam Wai Man ("Mr. Kam)	**154**	**–**	**–**	**–**	**–**	**154**
	1,079	**408**	**56**	**–**	**–**	**1,543**
Year ended 31 December 2021						
Executive directors						
Mr. Lo (Note (i))	498	–	15	–	–	513
Ms. Chan Shuk Kwan, Winnie ("Ms. Chan") (Note (ii))	291	–	9	–	–	300
Mr. Xie	100	429	48	9	–	586
Independent non-executive directors						
Mr. Ha	149	–	–	–	–	149
Mr. Ip	149	–	–	–	–	149
Mr. Kam	149	–	–	–	–	149
	1,336	429	72	9	–	1,846

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

(a) Directors and chief executive emoluments (Continued)

Notes:

(i) Mr. Lo, one of the executive directors of the Company, is also the chairman and the chief executive officer of the Group.

(ii) Ms. Chan has resigned as an executive director of the Company with effect from 1 August 2021.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group and the non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2022 (2021: Nil).

(b) Five highest paid individuals

The five individuals with the highest emoluments in the Group were all non-director individuals (2021: Same). The total remuneration paid to the five highest paid individuals sets out as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**2,602**	3,155
Retirement benefit scheme contributions	**91**	112
Equity settled share-based payments	**658**	16
	3,351	3,283

The number of five highest paid individuals whose remuneration fell within the following bands is as follows:

	2022	2021
Nil to HK$1,000,000 (equivalent to approximately RMB857,000)	**5**	1
Within HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB857,001 to RMB1,286,000)	**–**	4

During the year, no emolument was paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). During the year ended 31 December 2022, no arrangement under which Directors waived or agreed to waive any emoluments (2021: Nil).

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

(c) Senior management's emoluments

The number of senior management (excluding the directors of the Company) whose remuneration fell within the following bands is as follows:

	2022	2021
Nil to HK$1,000,000 (equivalent to approximately RMB857,000)	**3**	4

11. INCOME TAX EXPENSE

	Notes	**2022 RMB'000**	2021 RMB'000
The charge comprises:			
Current tax – PRC Enterprise Income Tax ("EIT")	(c)		
– current year provision		**12,274**	5,387
– (over-provision)/under-provision in prior years		**(126)**	2,071
Deferred tax (credit)/expense, net	30	**(1,307)**	10,100
		10,841	17,558

Notes:

(a) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which entities in the Group are domiciled and operated.

(b) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax under these jurisdictions.

(c) PRC EIT is calculated at 25% (2021: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for two subsidiaries of the Company as mentioned below:

One PRC subsidiary was approved to be high and new technology enterprises ("HNTE"). HNTE is entitled to enjoy a reduced enterprise income tax rate of 15% and additional 75% tax reduction based on the eligible research and development expenses with a validity period of three years from 11 December 2020 to 10 December 2023.

Besides, according to the Notice on Implementing the Policy of Inclusive Tax Relief for Small and Micro Enterprises ("SMEs"), released by the Ministry of Finance on January 2021, qualified SMEs with annual taxable income below RMB1 million per year entitled to a preferential EIT rate of 10% on 25% of their income. Whereas, qualified SMEs with taxable income from RMB1 to 3 million entitled to a preferential EIT rate of 10% on 50% of their income, one of the subsidiaries is entitled to the preferential tax rate for the years 2020 to 2021. Such preferential policy is extended to 2022.

(d) The Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2022 (2021: Nil).

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the accounting profit before income tax per the consolidated statement of comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before income tax	**34,953**	57,777
Tax calculated at the rates applicable to the tax jurisdiction concerned	**8,940**	13,612
Tax effect of non-taxable income	**(372)**	(2,863)
Tax effect of non-deductible expenses	**2,144**	3,881
Utilisation of tax losses previously not recognised	**(251)**	(109)
Tax effect of tax losses not recognised	**506**	966
Prior years' (over)/under provision	**(126)**	2,071
Income tax expense	**10,841**	17,558

12. DIVIDEND

(a) Dividend attributable to the year

The final dividend of HK3 cents (2021: HK3 cents) per ordinary share of the Company, totaling approximately HK$4,697,000 (equivalent to approximately RMB4,154,000) (2021: approximately HK$4,697,000 (equivalent to approximately RMB3,829,000)) proposed after the reporting date, for the year ended 31 December 2022 was not recognised as a liability at the reporting date. In addition, the final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

(b) Dividend attributable to the previous financial year and approved during the year

	2022 RMB'000	2021 RMB'000
Final dividend in respect of the previous financial year of HK3 cents per ordinary share	**3,829**	–

13. EARNINGS PER SHARE

	2022	2021
Earnings attributable to equity holders of the Company (RMB'000)	**24,112**	30,582
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	**156,583**	156,228
Effect of dilutive potential ordinary shares – share options (in '000)	**7,018**	6,593
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in '000)	**163,601**	162,821

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2022, the potential dilutive ordinary shares of the Company are share options (2021: share options) (Note 40). The calculation of share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2022, the assumed conversion of potential ordinary shares in relation to the share option has dilutive effect (2021: dilutive effect) to the basic earnings per share as the average market price of ordinary shares exceeds the exercise price of the options during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2022				
Opening net carrying amount	**10**	**335**	**1,336**	**1,681**
Additions	**76**	**96**	**–**	**172**
Disposals	**–**	**(8)**	**–**	**(8)**
Depreciation (Note 9)	**(18)**	**(117)**	**(647)**	**(782)**
Exchange realignment	**–**	**–**	**100**	**100**
Closing net carrying amount	**68**	**306**	**789**	**1,163**
At 31 December 2022				
Cost	**4,001**	**417**	**2,816**	**7,234**
Accumulated depreciation	**(3,933)**	**(111)**	**(2,027)**	**(6,071)**
Net carrying amount	**68**	**306**	**789**	**1,163**
Year ended 31 December 2021				
Opening net carrying amount	29	367	2,459	2,855
Additions	–	160	199	359
Disposals	–	(15)	(565)	(580)
Depreciation (Note 9)	(19)	(177)	(721)	(917)
Exchange realignment	–	–	(36)	(36)
Closing net carrying amount	10	335	1,336	1,681
At 31 December 2021				
Cost	3,925	382	2,628	6,935
Accumulated depreciation	(3,915)	(47)	(1,292)	(5,254)
Net carrying amount	10	335	1,336	1,681

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As a lessee

The Group has lease contracts for the office premises and branches used for its operation. Those leases generally run for an initial period of one to five years. There are no lease contracts that include variable lease payments.

(a) Right-of-use assets

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

	2022 RMB'000	2021 RMB'000
As at 1 January	**3,063**	5,154
Additions	**–**	1,420
Termination of lease (Note)	**–**	(1,368)
Depreciation charged (Note 9)	**(1,693)**	(2,086)
Exchange realignment	**86**	(57)
As at 31 December	**1,456**	3,063

(b) Lease liabilities

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

	2022 RMB'000	2021 RMB'000
As at 1 January	**3,192**	5,312
Additions	**–**	1,420
Termination of lease (Note)	**–**	(1,435)
Accretion of interest recognised (Note 8)	**197**	287
Rental payments	**(1,898)**	(2,333)
Exchange realignment	**90**	(59)
As at 31 December	**1,581**	3,192
Analysed into:		
Current portion	**1,264**	1,656
Non-current portion	**317**	1,536
	1,581	3,192

Note: During the year ended 31 December 2021, the Group has terminated certain leases with the landlords, gain of approximately RMB67,000 (Note 7) was resulted from the termination of lease.

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

As a lessee (Continued)

(b) Lease liabilities (Continued)

As at 31 December 2022, included in the Group's current and non-current lease liabilities, RMB637,000 and RMB129,000 (2021: RMB673,000 and RMB766,000) were the amount due to a related company. Further details of the transaction are disclosed in Note 35(a).

The total cash outflow for leases and the maturity analysis of the lease liabilities are disclosed in Notes 43(c) and 38(c), respectively.

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

	2022 **RMB'000**	2021 RMB'000
Gain on termination of lease (Note 7)	**–**	(67)
Interest on lease liabilities (Note 8)	**197**	287
Depreciation charged on right-of-use assets (Note 9)	**1,693**	2,086
Expenses relating to short-term leases (Note 9)	**533**	343
Total amounts recognised in profit or loss	**2,423**	2,649

Leases committed

As at 31 December 2022, the Group did not enter into any new leases that are not yet commenced (2021: Nil).

16. INTANGIBLE ASSETS

	Trading rights RMB'000
Year ended 31 December 2022	
Opening net carrying amount	**3,202**
Impairment loss	**(3,369)**
Exchange realignment	**167**
Closing net carrying amount	**–**
At 31 December 2022	
Cost	**8,751**
Accumulated amortisation and impairment	**(8,751)**
Net carrying amount	**–**
Year ended 31 December 2021	
Opening net carrying amount	3,309
Exchange realignment	(107)
Closing net carrying amount	3,202
At 31 December 2021	
Cost	8,065
Accumulated amortisation and impairment	(4,863)
Net carrying amount	3,202

Trading rights represents rights that confer eligibility of the Group to trade on the Stock Exchange which was acquired by the Group as part of the acquisition of Wealth Ton Finance Group Limited and its subsidiaries (collectively, "Wealth Ton Group"). The trading rights have no foreseeable limit to period that the Group can use to generate net cash flows, accordingly, the trading rights are considered as having an indefinite useful lives. The trading rights is tested for impairment annually and whenever there is an indication that it may be impaired.

As the trading right is not transferable, the recoverable amounts of the trading right held by the Group has been determined with reference to the recoverable amounts based on a value-in-use approach by using the cash flow projections. That cash flow projections based on financial budgets approved by management covering a 5-year period and at a pre-tax discount rate of 14.78% (2021: 14.07%). Management determined the budgeted revenue and costs based on past performance and its expectations for the market development. The cash flows projections beyond the 5-year period are extrapolated using growth rates ranged from 5.4% to 6.8% (2021: 5.4% to 6.8%). Based on the management's assessment, an impairment loss of approximately RMB3,369,000 on intangible assets was recognised during the year (2021: RMB Nil), which arose mainly due to significant decrease in the budgeted commission and brokerage income and interest income from margin financing, and the projected net profit margin, due to the actual performance of Wealth Ton Group for the year ended 31 December 2022 was underperformed than the management expected.

17. FINANCIAL ASSET AT FVOCI

	2022 RMB'000	2021 RMB'000
Equity investment designated at FVOCI (non-recycling) – Unlisted equity securities	–	38,085

The unlisted equity securities represented 4.6448% equity interests in Guotou Chuangxin (Beijing) Investment Fund Corporation Limited ("Guotou Chuangxin"), a private company with limited liability established in the PRC and engaged in investment management. Such investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate this investment in equity instruments as at FVOCI as they believe that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Dividend income amounted to approximately RMB10,303,000 (Note 7) was received on this investment during the year ended 31 December 2022 (2021: RMB8,771,000).

During the year ended 31 December 2022, upon the reduction in capital of the unlisted equity securities, the Group had received refund of approximately RMB25,312,000 (2021: Nil). There was no change in the Group's interest after the capital reduction.

As the investment no longer meets the investment objective of the Group after further reduction in investments held by the unlisted equity securities during the year ended 31 December 2022, the Group entered into the sale and purchase agreement with an independent third party, pursuant to which the Group agreed to dispose of its entire equity interests in Guotou Chuangxin at a consideration of approximately RMB2,431,000 which is determined and agreed by both parties. Upon the date of disposal, the changes in fair value of approximately RMB10,342,000 was recognised accordingly.

As at 31 December 2021, the management estimated the fair value of unlisted equity securities by using the asset approach. Fair value was recorded at approximately RMB38,085,000 at the end of reporting period and a fair value gain of approximately fair value gain of approximately RMB4,889,000 was recognised as other comprehensive income.

The inputs into the valuation were as follows:

	2022 RMB'000	2021 RMB'000
Discount for lack of marketability ("DLOM")	N/A	19.1%–31.4%

17. FINANCIAL ASSETS AT FVOCI (Continued)

As at 31 December 2021, the fair value of unlisted equity securities is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy and significant unobservable inputs are as follows:

Significant unobservable inputs	Relation of unobservable inputs with the fair value
Increase in market price of underlying investment portfolio	The higher market value of underlying investment portfolio, the higher fair value of the equity investment, and vice versa.
DLOM	The higher DLOM, the lower fair value of the equity investment, and vice versa.

18. DEPOSITS FOR FURTHER ACQUISITION OF INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

During the year ended 31 December 2020, Wealthy Way International Finance Limited ("CWW Finance"), an indirectly wholly-owned subsidiary of the Group entered into a sale and purchase agreement with a related company which Mr. Lu Nuanpei ("Mr. Lu"), the sibling of Mr. Lo, is the controlling party of the related company, Mr. Lei Ting and Ms. Kang Jing (collectively known as the "Vendors"), pursuant to which CWW Finance conditionally agreed to acquire 45% of equity interests in Shenzhen Haosen at a cash consideration of RMB180,000,000. The Group owns as to 55% equity interest in Shenzhen Haosen prior to this acquisition.

As at 31 December 2020, the Group had paid approximately RMB103,000,000 deposit for such acquisition.

Upon the completion of further acquisition on 24 December 2021, Shenzhen Haosen became an indirectly wholly owned subsidiary, and the Group further paid up the remaining consideration of approximately RMB77,000,000. The difference between the total consideration paid and the relevant share acquired of the carrying amount of net assets of Shenzhen Haosen amounting to approximately RMB3,652,000, was recorded in consolidated statement of changes in equity.

Details of which are set out in the announcements and circular of the Company dated 27 April 2020, 28 May 2020, 24 December 2020, 24 June 2021 and 24 December 2021.

19. OTHER ASSETS

	2022 RMB'000	2021 RMB'000
The Stock Exchange		
– Compensation Fund deposits	**44**	41
– Fidelity Fund deposits	**44**	41
– Stamp duty deposits	**27**	24
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– Admission fees	**44**	41
– Guarantee Fund contribution	**44**	41
– Mainland Security deposits	**199**	199
	402	387

Balances represent statutory deposits with the Stock Exchange and HKSCC which are non-interest bearing and have no fixed repayment terms.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments	**258**	366
Deposits	**536**	499
Other receivables	**252**	196
	1,046	1,061
Analysed into:		
Non-current portion	**27**	309
Current portion	**1,019**	752
Total	**1,046**	1,061

None of the above assets is either past due or impaired at the end of the reporting period and financial assets relate to deposits and other receivables for which there was no recent history of default or which are due from independent debtors that have a good relationship with the Group.

21. LOAN AND ACCOUNT RECEIVABLES

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Financial leasing receivables	(a)	**510**	9,635
Small loan receivables	(c)	**317,458**	280,598
		317,968	290,233
Less: Allowance for ECLs	(f)	**(4,387)**	(1,688)
		313,581	288,545
Current assets			
Financial leasing receivables	(a)	**76,048**	68,663
Factoring loan receivables	(b)	**–**	–
Small loan receivables	(c)	**259,172**	263,911
Other loan receivables	(d)	**4,893**	3,266
Account receivables	(e)	**2,852**	7,208
		342,965	343,048
Less: Allowance for ECLs	(f)	**(43,135)**	(36,928)
		299,830	306,120
Total loan and account receivables, net		**613,411**	594,665

The directors of the Company consider that the fair values of current portion of loan receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The fair value of the non-current portion of loan receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. As such, the amortised cost of the non-current portion approximates its fair value.

Information about the Group's exposure to interest rate risk and credit risk of loan and account receivables is set out in Notes 38(a) and (b) respectively.

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes:

(a) Financial leasing receivables

For financial leasing receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The period for financial leasing contract are normally ranging from 8 months to 3 years in 2022 (2021: 8 months to 3 years).

The Group's financial leasing receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the finance leases range from 8.11% to 21.1% (2021: 9.91% to 21.1%) per annum as at 31 December 2022.

As at 31 December 2022, the Group's financial leasing receivables with gross carrying amount of approximately RMB76,558,000 (2021: RMB75,798,000) were carried at fixed-rate and the remaining balances of approximately RMB Nil (2021: RMB2,500,000) were carried at variable-rate.

The ageing analysis of financial leasing receivables, determined based on the schedule to repay of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period, is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Financial leasing receivables comprise of:				
Within one year	**77,141**	71,537	**76,048**	68,663
More than one year but not exceeding two years	**517**	9,426	**510**	9,125
More than two years but not exceeding three years	**–**	495	**–**	510
	77,658	81,458	**76,558**	78,298
Less: Unearned finance income	**(1,100)**	(3,160)	**–**	–
Present value of minimum lease payments	**76,558**	78,298	**76,558**	78,298

Financial leasing receivables are mainly secured by the lessees' deposits (Note 25), certain guarantees and leased assets which are equipment and machinery used in industries such as real estate, manufacturing, telecommunication and information technology and hotel. Additional collateral may be obtained from customers to secure their repayment obligations under financial leasing and such collateral include vehicle licence. As at 31 December 2022, the financial leasing receivables were collateralised by the leased assets with fair values of approximately RMB135,105,000 (2021: RMB147,848,000).

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(a) Financial leasing receivables (Continued)

At the end of each reporting period, the gross carrying amounts of each of the categories of financial leasing receivables based on the industries of the lessees are as follows:

	2022 RMB'000	2021 RMB'000
Real estate	**320**	3,868
Manufacturing	**7,608**	27,117
Telecommunication and information technology	**46,637**	16,216
Trading	**580**	2,888
Hotel	**17,557**	17,536
Others		
– Leasing of equipment	**1,671**	5,843
– Health care service provider	**1,131**	1,131
– Printing	**–**	1,007
– Miscellaneous	**1,054**	2,692
	76,558	78,298

The following is a credit quality analysis of gross financial leasing receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of financial leasing receivables is classified as overdue.

	2022 RMB'000	2021 RMB'000
Neither overdue nor credit-impaired	**44,331**	36,281
Overdue but not credit-impaired		
– overdue within 30 days	**331**	4,621
– overdue within 31 to 90 days	**1,309**	11,022
Overdue and credit-impaired (Note g(i))	**30,587**	26,374
	76,558	78,298

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(a) Financial leasing receivables (Continued)

Movement of allowance for ECLs on financial leasing receivables are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit-impaired RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	–	–	195,282	195,282
Bad debts written off (Note g(i))	–	–	(180,180)	(180,180)
Net re-measurement of loss allowance	–	–	(9,759)	(9,759)
New financial assets originated	–	–	10,039	10,039
As at 31 December 2021 and 1 January 2022	–	–	15,382	15,382
Net re-measurement of loss allowance	–	–	1,240	1,240
As at 31 December 2022	–	–	16,622	16,622

The changes in the loss allowance was mainly due to increase of credit risk of the finance leasing receivables during the year.

In relation to the Group's financial leasing receivables, the Group has taken legal actions against three (2021: two) customers with regards to the overdue instalment repayment. As at 31 December 2022, the total balance of principal and interest was amounted to approximately RMB5,788,000 (2021: RMB4,449,000), of which the balance of approximately RMB5,015,000 (2021: RMB2,081,000) was overdue. Up to the date of issuance of these consolidated financial statements, all final decision made by the court in respect of the legal proceedings, which all results were in favor of the Group. The directors of the Company, after taking the legal advice into consideration, were of the view that the balances could be fully recovered by the way of enforcement measurement according to the Civil Procedure Law of the PRC.

(b) Factoring loan receivables

During the year ended 31 December 2021, the directors of the Company were of the view that the balances could not be recovered as the customer is in severe financial difficulty and the recovery of underlying accounts receivables is remote.

No ageing analysis and credit quality analysis of gross factoring loan receivables presented as the balances had been fully written off during the year ended 31 December 2021.

Movement of allowance for ECLs on factoring loan receivables are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit-impaired RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	–	–	6,143	6,143
Net re-measurement of loss allowance	–	–	(3,519)	(3,519)
Bad debts written off	–	–	(2,624)	(2,624)
As at 31 December 2021, 1 January 2022 and 31 December 2022	–	–	–	–

The changes in loss allowance was mainly due to the reversal of loss allowance upon repayment of factoring loans and release of loss allowance on bad debts written-off during the year ended 31 December 2021.

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(c) Small loan receivables

It primarily represented the micro-credit loans and guaranteed loans granted to the customers. The loan periods granted to each of the customers is generally ranging from 6 months to 8 years (2021: 4 months to 5 years). The effective interest rate of the small loans receivables is ranging from 8.0% to 27.7% (2021: 6.0% to 27.7%) per annum as at 31 December 2022.

As at 31 December 2022, small loan receivables are mainly secured by real estates with fair values of approximately RMB4,196,687,000 (2021: RMB2,776,295,000).

The ageing analysis of gross small loan receivables, determined based on the schedule to repay of receivable since the effective dates of relevant loan contracts, as at the end of the reporting period, is as follows:

	2022 RMB'000	2021 RMB'000
0 to 30 days	**30,292**	50,534
31 to 90 days	**50,128**	32,583
91 to 365 days	**178,752**	180,794
Over 365 days	**317,458**	280,598
	576,630	544,509

The following is a credit quality analysis of small loan receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of small loan receivables is classified as overdue.

	2022 RMB'000	2021 RMB'000
Neither overdue nor credit-impaired	**517,821**	516,301
Overdue but not credit-impaired		
– overdue within 30 days	**22,144**	2,554
– overdue within 31 to 90 days	**6,618**	5,520
Overdue and credit-impaired (Note g(ii))	**30,047**	20,134
	576,630	544,509

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(c) Small loan receivables (Continued)

Movement of allowance for ECLs on small loan receivables are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit-impaired RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	1,269	8,525	33,905	43,699
Bad debts written-off	–	(112)	(20,112)	(20,224)
Transfer to Lifetime ECL – to 12-m	–	–	–	–
Transfer to Lifetime ECL – not credit impaired	(242)	242	–	–
Transfer to Lifetime ECL – credit impaired	(127)	(413)	540	–
Net re-measurement of loss allowance	(827)	(8,057)	(1,255)	(10,139)
New financial assets originated	1,314	1,069	5,677	8,060
As at 31 December 2021 and 1 January 2022	1,387	1,254	18,755	21,396
Bad debts written-off	–	(5)	(11,283)	(11,288)
Transfer to Lifetime ECL – to 12-m	–	–	–	–
Transfer to Lifetime ECL – not credit-impaired	(17)	17	–	–
Transfer to Lifetime ECL – credit-impaired	(19)	(685)	704	–
Net re-measurement of loss allowance	(1,262)	1,078	10,780	10,596
New financial assets originated	652	4,373	3,860	8,885
As at 31 December 2022	741	6,032	22,816	29,589

The changes in loss allowance was mainly due to significant increase in credit risk of the small loan receivables during the year.

During the year ended 31 December 2022, gross carrying amount of small loan receivables amounted to approximately RMB11,550,000 (2021: RMB27,202,000) were written off as bad debts because these were overdue for 1 year or above which are still subject to enforcement activities. The respective allowance for ECLs has been reversed and the remaining balance is charged to profit or loss directly.

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(d) Other loan receivables

It represented the unsecured loans granted to the customers. The loan periods granted to each of customers is generally 1 year (2021: 1 year). The effective interest rate of the other loan receivables is 6% (2021: 12%) per annum as at 31 December 2022.

The Group does not hold any collateral or other credit enhancements over these balances.

The ageing analysis of gross other loan receivables, determined based on the schedule to repay of receivable since the effective dates of relevant loan contracts, as at the end of the reporting period, is as follows:

	2022 **RMB'000**	2021 RMB'000
91 to 365 days	**4,893**	3,266

The following is a credit quality analysis of gross other loan receivables. In the event that an instalment repayment is overdue, if any, the entire outstanding balance of other loan receivables would be classified as overdue.

	2022 **RMB'000**	2021 RMB'000
Neither overdue nor credit-impaired	**4,893**	3,266

Movement of allowance for ECLs on other loan receivables are as follows:

	12-m ECL RMB'000	**Lifetime ECL – not credit-impaired** RMB'000	**Lifetime ECL – credit-impaired** RMB'000	**Total** RMB'000
As at 1 January 2021	–	3,329	–	3,329
Net re-measurement of loss allowance	–	(2,707)	–	(2,707)
Exchange realignment	–	(58)	–	(58)
As at 31 December 2021 and 1 January 2022	–	564	–	564
Net re-measurement of loss allowance	–	(594)	–	(594)
New financial assets originated	–	105	–	105
Exchange realignment	–	34	–	34
As at 31 December 2022	–	109	–	109

The changes in the loss allowance was mainly due to release of loss allowance on repayment of other loans during the year.

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(e) Account receivables

Balances comprise receivables in respect of securities dealing and broking services and financial advisory and post loan facilitation services, represented as follows:

	Notes	2022 RMB'000	2021 RMB'000
Account receivables from securities dealing and broking services:	(i)		
– Hong Kong Securities Clearing Company Limited ("HKSCC")		**576**	2,628
– Cash clients		**–**	–
– Margin clients		**1,074**	3,276
		1,650	5,904
Account receivables from financial advisory and post loan facilitation services	(ii)	**1,202**	1,304
		2,852	7,208

Notes:

(i) Account receivables from cash clients and securities clearing houses arising from securities dealing business are repayable on demand subsequent to the settlement date. The normal settlement terms of said account receivables are, in general, two days after trade date. The Group allows a credit period mutually agreed with the contracting parties for account receivables from margin clients.

No ageing analysis by invoice date is disclosed for account receivables from securities dealing business as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the business nature.

Account receivables of securities margin clients are secured by the clients' pledged securities with fair value of approximately RMB43,625,000 (2021: RMB59,608,000) as at 31 December 2022. All of the pledged securities are equity and debt securities listed in Hong Kong and overseas. The account receivables of securities margin clients are repayable on demand subsequent to settlement date and carrying interest typically ranged from 6% to 12% and Hong Kong Prime rate to Hong Kong Prime rate +7% (2021: Same) per annum as at 31 December 2022. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owned by the margin clients.

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(e) Account receivables (Continued)

Notes: (Continued)

(ii) Balances comprise receivables in respect of financial advisory and post loan facilitation services. No element of financing is deemed present as the services are made with a credit period of not more than one week after revenue recognition.

The Group does not hold any collateral or other credit enhancements over these balances.

The ageing analysis of gross account receivables from financial advisory and post loan facilitation services, determined based on the schedule to repay of receivable since the effective dates of relevant contracts, as at the end of the reporting period, is as follows:

	2022 **RMB'000**	2021 RMB'000
0 to 30 days	**1,202**	1,304

The following is a credit quality analysis of gross account receivables from financial advisory and post loan facilitation services. In the event that an instalment repayment is overdue, the entire outstanding balance of account receivables is classified as overdue.

	2022 **RMB'000**	2021 RMB'000
Neither overdue nor credit-impaired	**–**	–
Overdue but not credit-impaired		
– overdue within 30 days	**–**	10
– overdue within 31–90 days	**–**	21
Overdue and credit-impaired (Note g)	**1,202**	1,273
	1,202	1,304

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(e) Account receivables (Continued)

Notes: (Continued)

(iii) Movement of allowance for ECLs on account receivables are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit-impaired RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	–	–	5,035	5,035
Bad debt written off	–	–	(4,480)	(4,480)
Net re-measurement of loss allowance	–	–	554	554
New financial assets originated	–	–	223	223
Exchange realignment	–	–	(58)	(58)
As at 31 December 2021 and 1 January 2022	–	–	1,274	1,274
Net re-measurement of loss allowance	–	–	(84)	(84)
New financial assets originated	–	–	12	12
Exchange realignment	–	–	–	–
As at 31 December 2022	–	–	1,202	1,202

During the year ended 31 December 2021, gross carrying amount of account receivables amounting to approximately RMB4,480,000 were written off as bad debts because these were either overdue for 1 year or above which are still subject to enforcement activities. The respective allowance for ECLs has been reversed.

The allowance for ECLs is considered as adequately provided for as the directors of the Company have individually evaluated their account receivables after taking into account the LTV for each borrower, and other information available of those borrowers in default of settlement to determine the net present value of expected future cash inflow.

(f) ECL Model

Simplified approach is applied to measure the lifetime ECL for certain loan and account receivables (lease receivables under HKFRS 16 and loan receivables which are short term in duration (i.e. less than one year) and account receivables (except for account receivable from margin clients)) and the remaining loan and account receivables are measured on 12-m ECL basis unless there had been significant increase in credit risk since initial recognition. The estimation techniques or significant assumptions made during the year in assessing the loss allowance for the loan and account receivable are set forth in Note 38(b).

The Group has recognised allowance for ECLs during the reporting period which indicated that these receivables may not be fully recoverable because of risks associated with the customers and the industries, in which the customers operate.

21. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(g) Credit-impaired loan and account receivables

	Notes	Gross carrying amount RMB'000	Allowance for ECLs RMB'000	Net carrying amount RMB'000	Value of collaterals RMB'000
As at 31 December 2022					
Financial leasing receivables	(i)	**30,587**	**(16,622)**	**13,965**	**60,749**
Small loans receivables	(ii)	**30,047**	**(22,816)**	**7,231**	**63,773**
Account receivables		**1,202**	**(1,202)**	**–**	**–**
		61,836	**(40,640)**	**21,196**	**124,522**
As at 31 December 2021					
Financial leasing receivables	(i)	26,374	(15,382)	10,992	40,800
Small loans receivables	(ii)	20,134	(18,755)	1,379	50,327
Account receivables		1,274	(1,274)	–	–
		47,782	(35,411)	12,371	91,127

Notes:

(i) Balance represents financial leasing receivables that overdue for over 90 days and above since maturity date of the contact. The Group has been actively negotiating with the debtors to demand payment and might enter in to negotiation for rescheduling the repayment terms. Only if the customers reluctant to negotiate and no further payments for over 6 months to 9 months, the Group will consider to take legal actions against the customers.

During the year ended 31 December 2021, all the financial leasing receivables from Grand China Air Co., Ltd* (大新華航空有限公司) (the "Customer") are derecognised upon the Group transferred substantially all risks and rewards associated upon agreements with independent third parties. In addition to the consideration per agreements, the Group has received additional compensation of approximately RMB3,004,000 from the Customer, the allowance for ECLs of approximately RMB180,180,000 was written off as bad debts accordingly.

(ii) Balance mainly represents small loan receivables with portion overdue for over 90 days and above. The Group has been taking proactive measures to communicate with such defaulting customers in a timely manner and in the case of failure the Group may initiate legal proceedings to demand payments.

22. AMOUNTS DUE TO RELATED PARTIES

The amounts due were non-trade in nature, unsecured, interest free and repayable on demand.

Name of related parties	2022 RMB'000	2021 RMB'000
Amounts due to:		
Directors	**2,185**	381
深圳恒豐房地產有限公司 (Note)	**367**	260
	2,552	641

Note: Mr. Lo's sibling, Mr. Lu, is the controlling party of the above related company.

23. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Bank balances and cash (Note i)	**58,288**	100,200
Less: Clients' monies in segregated account (Note ii)	**(8,728)**	(16,525)
Cash and cash equivalents	**49,560**	83,675

Notes:

(i) Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2022, the Group has cash and cash equivalents denominated in RMB amounting to approximately RMB38,955,000 (2021: RMB66,971,000) and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(ii) From the Group's ordinary business in provision of securities dealing services, the Group receives and holds money deposited by the clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognised the corresponding accounts payables (Note 24) to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is only allowed to retain some or all of the interest derived from the clients' monies but not allowed to use the clients' monies to settle its own obligations. The Group does not have a currently enforceable right to offset these payables with the deposits place.

The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance ("HKSFO"). However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

24. ACCOUNT PAYABLES

	2022 RMB'000	2021 RMB'000
HKSCC	–	1
Cash clients	398	5,448
Margin clients	8,551	10,959
	8,949	16,408

Account payables arising from securities dealing business are interest-free and repayable on the settlement day of the relevant trades (Note 23(ii)).

The normal settlement terms of account payables to cash clients and securities clearing house are two days after trade date.

Account payables to HKSCC, margin clients and cash clients are repayable on demand after settlement date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

25. DEPOSITS FROM FINANCIAL LEASING CUSTOMERS

Customers' deposits are collected and calculated based on a certain percentage of the entire value of lease contract. The deposits are returned to the customers in portion over the lease period or in full by end of lease period according to the terms of lease contracts. When the lease contract expires, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that need to be recognised in all years.

26. ACCRUALS AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Accruals (Note)	**20,353**	29,077
Other payables	**5,720**	2,635
Other tax payables	**1,009**	992
	27,082	32,704

Note: Balance at 31 December 2022 mainly includes provisions for social insurance and housing provident fund provided in accordance with the Social Insurance Law and Regulations on the Management of Housing Provident Fund of the PRC amounting to approximately RMB12,875,000 (2021: RMB11,145,000). The balance at 31 December 2022 also includes interest payables of bond payable of approximately RMB1,286,000 (2021: interest payables of promissory notes and bond payable of approximately RMB10,934,000 and RMB1,886,000, respectively).

27. BANK BORROWING

	2022 RMB'000	2021 RMB'000
Bank borrowing – secured*		
Within one year	**100,023**	99,202
Amount shown under current liabilities	**100,023**	99,202

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

As at 31 December 2022, the Group's bank borrowing was variable-rate borrowing which carried annual interest at the loan prime rate ("LPR") offered by the People's Bank of China (the "PBOC") +4.15% (2021: Same). As at 31 December 2022, the effective interest rate of the Group's secured bank borrowing was 7.44% (2021: 7.86%) per annum.

As at 31 December 2022, the bank borrowing amounting to approximately RMB100,023,000 (2021: RMB99,202,000) was secured by charges over one property with fair value of approximately RMB79,170,000 (2021: approximately RMB82,245,000) (which is jointly owned by Mr. Lo and his wife) and one property with fair value of approximately RMB32,039,000 (2021: RMB24,590,000) (which is owned by Mr. Lu Qing Ming, nephew of Mr. Lo) and jointly guaranteed by a related company, which Mr. Lu, Mr. Lo's sibling is the controlling shareholder and Mr. Lu, with an aggregate amount up to RMB100,000,000 (2021: RMB100,000,000). One property with fair value of approximately RMB8,980,000 (which is owned by Mr. Wang Jiansen, a director of a related company) as at 31 December 2021 was released from charges upon the maturity date of relevant borrowing during the year ended 31 December 2022.

In January 2023, the Group has repaid the above borrowing and obtained two bank borrowings with aggregate principal amount of approximately RMB100,000,000 carried annual interest at LPR offered by PBOC +4.15%, which are repayable in July 2023.

28. PROMISSORY NOTE

	2022 **RMB'000**	2021 RMB'000
As at 1 January	**77,793**	72,050
Effective interest expense charged for the year (Note 8)	**9,749**	9,058
Interest payable included in accruals	**(3,315)**	(3,315)
Derecognition of financial liability	**(84,082)**	–
Gain on modification	**(145)**	–
Recognition of new financial liability	**4,186**	–
As at 31 December	**4,186**	77,793
Analysed into:		
Current portion	**4,186**	–
Non-current portion	**–**	77,793
	4,186	77,793

To settle part of the consideration relating to the acquisition of 55% equity interests of Shenzhen Haosen in December 2018, the Group issued a promissory note with face value of RMB109,690,000 which is unsecured, carries interest of 3.5% per annum and matures in a 60-month term in favour of the Vendor (or its nominee). Under the terms of the promissory note, the Company may redeem all or part of the outstanding principal amount of the promissory note at any time between the issue date and the day prior to the maturity date.

The promissory note is separated into their two components at initial recognition: the liability component and the derivative component. In the opinion of directors of the Company, the fair value of the derivative component is insignificant and hence the derivative component is not separately accounted for.

On initial recognition, the fair value was determined by Roma Appraisal Limited by using discounted cash flow method which based on the present value of the contractual stream of future cash flows discounted at the discount rate, taking into account (i) interest rate determined with reference to the yields of China 5-year government bonds and treasury bills; (ii) credit spread determined with reference to the premium compensated from the market comparables with the same credit rating as the Company; and (iii) country risk determined with reference to the default spread of the PRC.

After initial recognition, the promissory note is measured at amortised cost with the effective interest method. The effective interest rate of the promissory notes was 12.08% per annum.

28. PROMISSORY NOTE (Continued)

Upon settlement of principal amount of the promissory note during the year ended 31 December 2019, which amounted to RMB15,000,000, the face value of the promissory note has reduced to RMB94,690,000.

On 20 December 2022, the Group entered into a supplementary agreement ("Supplementary Agreement") with the Vendor, pursuant to which the Vendor agreed to waive the coupon interest, including outstanding interest payables as of the date of the supplementary agreement, amounting to approximately RMB14,249,000 and all interest payable to be accrued until the promissory note matures, in exchange for an early repayment of the principal amount of RMB90,000,000, which reduces the principal amount of the promissory note to RMB4,690,000 bearing zero coupon rate.

The directors of the Company consider that the modification of terms, including early settlement, waiver of outstanding interest payables and waiver of coupon rate of the outstanding principal, as a whole that resulted in a substantial modification of original terms taking into account all the relevant facts and circumstances. Accordingly, such modification of terms is accounted for as an extinguishment of the original financial liability. The carrying amount of the relevant financial liabilities of approximately RMB4,186,000 has been calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' new effective interest rate of 11.32%.

Since the Vendor is under the control of Mr. Lo's sibling who is also Mr. Xie's uncle. Accordingly, the total gain on modification of terms of promissory note of approximately RMB4,290,000 was deemed as contribution from related party and recognised in the consolidated statement of changes in equity at the date of modification.

29. BOND PAYABLE

	2022 **RMB'000**	2021 RMB'000
As at 1 January	**16,301**	33,681
Issuance of bond	**16,335**	–
Effective interest expense charged for the year (Note 8)	**1,280**	2,173
Interest payable included in accruals	**(1,247)**	(1,886)
Interest paid during the year	**(33)**	(112)
Gain on early redemption of bond (Note 7)	**–**	(175)
Repayment of bond	**(16,350)**	–
Early redemption of bond	**–**	(16,603)
Exchange realignment	**1,402**	(777)
As at 31 December	**17,688**	16,301

29. BOND PAYABLE (Continued)

On 29 July 2019, the Company issued 8% coupon bond of a principal amount of HK$20,000,000 to an independent third party. The interests are paid in arrears on quarterly basis and the bond would be matured in 2 years on 28 July 2021. The bond was secured by the personal guarantee from Mr. Lo, the controlling party of the Company. The whole principal amount is repayable at the date of its maturity. During the year ended 31 December 2021, the Company early redeemed a principal amount of approximately HK$18,000,000 from the bondholders, the gain on such early redemption is recognised in consolidated profit or loss (Note 7). The Company repaid the remaining principal amount of HK$2,000,000 at the maturity date.

On 10 January 2020, the Company issued 8% coupon bond of a principal amount of HK$20,000,000 to an independent third party. The interests are paid in arrears on quarterly basis and the bond will be matured in 2 years on 9 January 2022. The bond was secured by the personal guarantee from Mr. Lo, the controlling party of the Company. The whole principal amount was repaid at the date of maturity.

On 13 January 2022 and 25 February 2022, the Company issued 8% coupon bonds of a principal amount of HK$10,000,000 each to an independent third party. The repayment of principal and interest at one time when due and the bonds will be matured in 2 years on 12 January 2024 and 25 February 2024, respectively. The bonds were secured by the personal guarantee from Mr. Lo, the controlling party of the Company.

Either the bondholders or the Company may, at any time after one year of the issuance date of the bond and before the maturity date, request early redemption of all or part of the outstanding principal amount together with payments of interest accrued up to the date of such early redemption by serving a prior notice of not less than one month.

The bonds comprised three components at initial recognition: the liability component and two embedded derivatives (early redemption options held by the Company and the bondholders respectively). In the opinion of the directors of the Company, the fair values of the derivative components are closely related to the host contract and hence the derivative components are not separately accounted for.

The carrying amount of the bonds are denominated in HK$.

30. DEFERRED TAX ASSETS

Deferred tax assets/(liabilities)	Allowance for ECLs RMB'000	Tax loss RMB'000	Contract costs RMB'000	Total RMB'000
At 1 January 2021	62,625	–	(66)	62,559
(Charged)/Credited to profit or loss (Note 11)	(52,474)	42,308	66	(10,100)
Exchange realignment	(19)	–	–	(19)
As at 31 December 2021 and 1 January 2022	**10,132**	**42,308**	**–**	**52,440**
Credited/(Charged) to profit or loss (Note 11)	**2,974**	**(1,667)**	**–**	**1,307**
Exchange realignment	**40**	**–**	**–**	**40**
As at 31 December 2022	**13,146**	**40,641**	**–**	**53,787**

As at 31 December 2022, based on the business plan of the Group which is approved by the management, it is expected that the subsidiary will generate future profits which are sufficient to offset against the unused tax losses, deferred tax assets in respect of the cumulative tax losses of approximately RMB40,641,000 (2021: RMB42,308,000) is provided. The expiry date of such unused tax losses is 2026.

As at 31 December 2022, the Group has unused tax losses of approximately RMB12,087,000 (2021: RMB10,208,000) available for offsetting against future taxable profits of the companies which incurred these losses. Deferred tax assets have not been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses arising from Hong Kong do not have expiry and are subject to approval of Hong Kong Inland Revenue Department.

Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiaries in the PRC amounting to approximately RMB121,839,000 as at 31 December 2022 (2021: RMB108,893,000) as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiaries in the PRC will not distribute any dividend in the foreseeable future.

31. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.01 of each		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	20,000,000,000	200,000

	Number of ordinary shares	Amount
		RMB'000
Issued and fully paid:		
At 1 January 2021	155,523,000	1,349
Issue of shares upon exercise of share options (Note 40)	1,060,000	9
At 31 December 2021, 1 January 2022 and 31 December 2022	**156,583,000**	**1,358**

During the year ended 31 December 2021, 1,060,000 share options were exercised at the exercise price of HK$6.12 (equivalent to RMB5.44) per share. The total cash consideration received from the issuance 1,060,000 shares was approximately RMB5,766,000, of which approximately RMB9,000 was credited to issued share capital and the remaining balance of approximately RMB5,757,000 was credited to the share premium account. In addition, amount attributable to the related share options of RMB487,000 has been transferred from share option reserve to the share premium account.

All the shares issued during the year ended 31 December 2021 rank *pari passu* with the then existing shares in all respects.

32. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

(i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(ii) Share-based payment reserve

Share-based payment reserve represents the portion of grant date fair value of unexercised share options of the Company.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Other reserve

Other reserve represents the difference between issued share capital of the Company issued during the reorganisation completed for the Listing of the Company, and the aggregate value of the respective share capital/paid-in capital of the companies now comprising the Group and the amount of advances from ultimate holding company capitalised. It also represents deemed capital contribution from equity participants arising from acquisitions of entities from the related party which is under the control of Mr. Lo's sibling, who is also Mr. Xie's uncle.

As disclosed in Note 18, upon the completion of acquisition of remaining 45% equity interests in Shenzhen Haosen on 24 December 2021, the difference between the consideration paid and the relevant share acquired of the carrying amount of net assets of Shenzhen Haosen amounting to approximately RMB3,652,000, is recorded in "Other reserve".

As disclosed in Note 28, upon the modification of terms of promissory note which result the gain on modification of approximately RMB4,290,000 are deemed as contribution from related party as abovementioned.

(v) Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. Subject to the approval of equity shareholders of the Company, statutory surplus reserve may be used to net off against accumulated losses, if any, and may be converted into capital, provided the remaining balance of the statutory surplus reserve is not less than 25% of registered capital.

(vi) Financial asset at FVOCI reserve

The financial asset at FVOCI reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period. As disclosed in Note 17, the Group fully disposed the financial asset at FVOCI during the year ended 31 December 2022, and any cumulative loss was transferred to retained profits upon the disposal.

33. FINANCIAL INFORMATION OF THE COMPANY

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		–	13
Right-of-use assets		533	1,333
Investments in subsidiaries	(a)	462,669	460,712
		463,202	462,058
Current assets			
Prepayments and deposits		439	404
Bank balances and cash		678	852
		1,117	1,256
Current liabilities			
Accruals		2,217	3,617
Lease liabilities		571	859
Dividend payable		1,449	818
Bond payable	29	17,688	16,301
Amounts due to subsidiaries	(b)	15,576	14,355
		37,501	35,950
Net current liabilities		(36,384)	(34,694)
Total assets less current liabilities		426,818	427,364
Non-current liability			
Lease liabilities		–	526
Net assets		426,818	426,838
EQUITY			
Share capital	31	1,358	1,358
Reserves	(c)	425,460	425,480
Total equity		426,818	426,838

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 24 March 2023 and was signed on its behalf by:

Lo Wai Ho
Executive Director

Xie Weiquan
Executive Director

33. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Investments in subsidiaries

	2022 RMB'000	2021 RMB'000
Unlisted equity investments (Note 42(a))	**462,669**	460,712

(b) The balances were unsecured, interest free and had no fixed terms of repayment.

(c) Reserves

	Proposed final dividend RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Other reserve (Note) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	–	227,853	6,136	269,295	(64,126)	439,158
Comprehensive expense:						
Loss for the year	–	–	–	–	(19,597)	(19,597)
	–	–	–	–	(19,597)	(19,597)
Transactions with the equity holders of the Company:						
Equity settled share options payment (Note 40)	–	–	162	–	–	162
Issue of shares upon exercise of share option (Note 31)	–	6,244	(487)	–	–	5,757
Share options lapsed (Note 40)	–	–	(1,099)	–	1,099	–
	–	6,244	(1,424)	–	1,099	5,919
Proposed final dividend (Note 12)	3,829	(3,829)	–	–	–	–
At 31 December 2021	3,829	230,268	4,712	269,295	(82,624)	425,480

33. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(c) Reserves (Continued)

	Proposed final dividend RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Other reserve (Note) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	3,829	230,268	4,712	269,295	(82,624)	425,480
Comprehensive expense:						
Profit for the year	–	–	–	–	2,878	2,878
	–	–	–	–	2,878	2,878
Transactions with the equity holders of the Company:						
Equity settled share options payment (Note 40)	–	–	931	–	–	931
Share options lapsed (Note 40)	–	–	(2,625)	–	2,625	–
	–	–	(1,694)	–	2,625	931
Final dividend (Note 12)	(3,829)	–	–	–	–	(3,829)
Proposed final dividend (Note 12)	4,154	(4,154)	–	–	–	–
At 31 December 2022	4,154	226,114	3,018	269,295	(77,121)	425,460

Note: Other reserve represents the difference between (i) the net asset value of the subsidiaries acquired and (ii) the nominal value of the share capital of the Company issued in exchange thereof pursuant to the initial listing on the Main Board of the Stock Exchange or the cash consideration paid.

34. COMMITMENTS

Capital commitment

As at 31 December 2022, the Group had no capital commitments contracted but not provided for (2021: Nil).

Short-term lease commitment

As at 31 December 2022, the Group has outstanding minimum lease commitments under two non-cancellable short-term lease arrangements, which fell due as follows:

	2022 **RMB'000**	2021 RMB'000
Within one year	**281**	–

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions with related parties

	Notes	**2022** **RMB'000**	2021 RMB'000
Interest on lease liabilities paid to a related company	(i), (ii)	**107**	127
Payment of lease liabilities in relation to leases with a related company	(i), (ii)	**775**	775
Building management fee, utilities and repair and maintenance to a related company	(i)	**296**	397
Hospitality expense for functions in the hotel paid to a related party	(i)	**231**	152

Notes:

(i) Mr. Lo's sibling, Mr. Lu, is the controlling party of the related companies.

(ii) The Group entered certain lease in respect of properties from a related party to the Group. The amount of rental payable by the Group under the leases are approximately RMB64,600 (2021: RMB64,600) per month and the lease terms will be expired on 3 to 4 years. Details of the Group's lease liabilities due to a related company are included in Note 15(b).

In the opinion of the directors of the Company, the transactions listed above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business.

All of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The above transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the members of the board of directors and senior management of the Company. Key management personnel remuneration are as follows:

	2022 RMB'000	2021 RMB'000
Directors' fees	**1,079**	1,336
Salaries, allowances and benefits in kind	**1,452**	1,552
Retirement benefit scheme contributions	**117**	293
Equity-settled share-based payment	**–**	41
	2,648	3,222

36. FINANCIAL GUARANTEE CONTRACTS

In prior years, the Group has given a corporate guarantee to an independent third party in respect of the credit enhancement services provided to the customers of loan facilitation services.

During the year ended 31 December 2021, the Group has negotiated with the independent third party to terminate the credit enhancement services and received the refund of security deposit of RMB1,000,000, and the corporate guarantee given by the Group was cancelled accordingly.

None of the corporate guarantee has been provided by the Group as at 31 December 2022 (2021: Nil).

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2022 RMB'000	2021 RMB'000
Financial assets		
At amortised costs		
Loan and account receivables	**613,411**	594,665
Deposits and other receivables	**788**	695
Other assets	**402**	387
Bank balances and cash	**58,288**	100,200
At FVOCI		
Equity investment	**–**	38,085
	672,889	734,032
Financial liabilities		
At amortised costs		
Account payables	**8,949**	16,408
Deposits from financial leasing customers	**2,930**	7,314
Amounts due to related parties	**2,552**	641
Accruals and other payables	**9,293**	17,884
Lease liabilities	**1,581**	3,192
Dividend payable	**1,449**	818
Bank borrowings	**100,023**	99,202
Promissory note	**4,186**	77,793
Bond payable	**17,688**	16,301
	148,651	239,553

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

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 rates. The Group is exposed to cash flow interest rate risk in relation to variable-rate financial leasing receivables, bank balances, bank borrowings (see Notes 21(a), 23 and 27 for details of these financial instruments respectively). The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate financial leasing receivables, small and other loans receivables, promissory note and bond payable (see Notes 21(a) to (d), 28 and 29 for details of these financial instruments). The Group does not have a fair value interest rate hedging policy.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate financial leasing receivables, bank balances and bank borrowings.

The sensitivity analysis was determined assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to variable-rate financial instruments at that date. 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates of financial leasing receivables and bank borrowings over the period until the end of next reporting period.

The following tables indicates the approximate change in the profit after income tax in response to reasonably possible changes in interest rates to which the Group has exposure at the end of each reporting period.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Interest rate risk (Continued)

Sensitivity analysis (Continued)

(i) If the benchmark interest rates of the variable rate financial leasing receivables at the end of each reporting period had been 100 basis points higher/lower and all other variable were held constant, the potential effect on the Group's profit after income tax are as follows:

	2022		2021	
	RMB'000	RMB'000	RMB'000	RMB'000
	+1%	-1%	+1%	-1%
Increase/(decrease) in profit for the year and retained profits	N/A	N/A	18	(18)

(ii) If interest rates of bank balances at the end of each reporting period had been 100% basis points higher/lower and all other variable were held constant, the potential effect on the Group's profit after income tax are as follows:

	2022		2021	
	RMB'000	RMB'000	RMB'000	RMB'000
	+1%	-1%	+1%	-1%
Increase/(decrease) in profit for the year and retained profits	348	(348)	538	(538)

(iii) If the benchmark interest rates of the variable rate bank borrowings at the end of each reporting period had been 100 basis points higher/lower and all other variable were held constant, the potential effect on the Group's profit after income tax are as follows:

	2022		2021	
	RMB'000	RMB'000	RMB'000	RMB'000
	+1%	-1%	+1%	-1%
(Decrease)/increase in profit for the year and retained profits	(750)	750	(744)	744

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position.

The Group is exposed to credit risk in relation to its (i) loan and account receivables; (ii) deposits and other receivables; and (iv) bank balances.

The Group implemented standardised management procedures over the processes of target customers' selection, the due diligence and application, credit review and approval, determination of credit limits, monitoring and management of non-performing receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the optimisation of the portfolio of receivables, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's receivables, and the adverse effects will increase the possibility of losses incurred by the Group. The business development, risk management department in charge of different industries are responsible for the management of credit risks, and periodically report on the quality of assets to the management of the Company.

The Group's maximum exposure to credit risk is primarily attributable to loan and account receivables. As at 31 December 2022, 5.8% (2021: 3.2%) and 16.3% (2021: 14.8%) of the total loan and account receivables was due from the Group's largest customer and the five largest customers respectively. The directors of the Company consider the credit risk from this concentration was not significant as these counterparties were sizable companies with sound financial position and all their outstanding balances were secured by the leased assets. The Group has endeavoured to develop new customers to diversify and strengthen the customers base to reduce the concentration of credit risk. In order to minimise the credit risk, the Group has closely monitored the recoverability of the advances to these counterparties, including ensuring that adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

For deposits and other receivables, in order to minimise the credit risk, the management of the Company closely monitor the follow-up action taken to recover any receivable balances outstanding over 180 days. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

In addition, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12-m ECL, since there has not been a significant increase in credit risk since initial recognition for the deposits and other receivables. The credit risk on deposits and other receivables have not increased significantly since initial recognition as each of the counterparties have no history of default and possess strong capability to meet contractual cash flows.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

The credit risk on bank balances is minimal as the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

The Group's main income generating activity is supply the financing services to customers and therefore credit risk is a principal risk. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purpose.

(i) Credit risk management

Other specific management and mitigation measures include:

Loan and account receivables other than account receivables from securities dealing and broking business

The Group manages, limits, and controls the concentration of credit risk and, as far as possible, avoid risks concentration on single customer and industry.

The Group also manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the customers' ability to repay principal and interest, real time supervision of the actual repayment status throughout the project period to manage the credit risk.

In addition, the Group has developed a series of policies to mitigate credit risk, including obtaining collateral, pledge, security deposit and guarantee from an enterprise or individual. As at 31 December 2022, 78.2% (2021: 96.4%) of the loan receivables are backed by collaterals and/or guarantee.

In general, the Group grants loans of not more than 70% LTV, and where it is a subordinated property mortgage, an aggregated lending (the Group's loan aggregated with all prior mortgage loans) of not more than 70% LTV. Approval from a director of the subsidiary of the Company, a credit manager and a credit officer is needed for loans granted with a LTV exceeds 70%. For the fair value of the collaterals at the grant date, the Group will make reference to the valuation carried out by an independent third party valuer and/or the internet valuation services conducted internally.

In the event of default by customers, the Group might sell the collaterals, hence the management of the Group monitors the market value of collaterals to ensure the market values of collaterals at the end of reporting period are sufficient to cover the respective outstanding loan receivables from customers.

According to the relevant PRC laws and regulations, the Group as the legal beneficial owner of the assets under finance lease, after considering legal opinion from PRC lawyer engaged by the Group, has the legal title over the assets. Therefore, the laws protect the Group's effective right so that in the event of default, the Group is entitled to retrieve the asset. In respect of loan arrangements other than finance lease, the Group normally requests a third party guarantee or collateral from certain customers, depending on the customers' credit status and credit risk degree. The management evaluates the capability of the guarantor, the ownership and value of the mortgage or pledge and the feasibility to realise the mortgage or pledge.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(i) Credit risk management (Continued)

Loan and account receivables other than account receivables from securities dealing and broking business (Continued)

In this regard, the management of the Company consider that the Group's credit risk is significantly reduced. The Group may take possession of assets held or guarantee received through legal proceeding or voluntary delivery of possession by the customers. It disposes the collaterals by auction once receiving the possession.

The Group might also factor the loans receivables to independent third parties without recourse whenever the factoring is an appropriate action to ensure the loan receivables can be recovered in a way that create less negative impact to the Group. The Group as well may enforce the rights to take certain actions to further mitigate the risks through demand for outstanding payments from the guarantor, if any or proceed to take legal action or enter in arbitration against the customers if there is no indication of repayment or any improvements in repayment pattern.

Account receivables from securities dealing and broking business

The credit risk arises on the margin portfolio and clients' trade settlement. When the market goes downside, the possibility of bad and doubtful debts will arise. The margin clients may be unable or unwilling to settle the sum owed. As such, credit assessment and continuous management of credit exposures are indispensable. The Group has established the credit policies and procedures setting out in details the structure of the credit risk management, the credit approval and monitoring mechanism, and the issue for overdue debts. Meanwhile, the management has overseen the Group's overall credit risk exposure arisen from margin clients.

The account receivables from margin clients are secured by clients' pledged securities which are equity and debt securities listed in Hong Kong and overseas. Margin calls are made when the traders of margin clients exceed their credit limits or a shortfall existed after taking into the account the securities collateral. Any such excess is required to be made good within the next trading day. Failure to meet margin calls may result in the liquidation of the clients' positions. The Group seeks to maintain strict control over its outstanding receivables.

Moreover, the Group closely evaluates the margin clients' credit rating, financial background and repayment abilities. The assessment is based on a closely monitoring and evaluation of the collectability of individual account and on management's judgement from different aspects including the current credit worthiness of the margin clients and the past collection history of each individual margin client.

In this regard, the management of the Company consider that the Group's credit risk is significantly reduced.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-m ECL.

As at the end of reporting period, the Group considers the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions as the reporting date, the Group has transferred the 12-m ECL of loan and account receivables into lifetime ECL when there was significant increase in credit risk.

Internal credit risk ratings

In order to minimise credit risk, the Group monitors the credit risk exposure individually for certain financial assets with significant balances. Moreover, the Group has tasked its risk management department to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on a range of data that is determined to be predictive of the risk of the risk of default and applying experienced credit judgement. The nature of the exposure and type of customers are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. When the credit risk increases, the credit grades may be changed and result in the increase of the risk of default. Each counterparty is categorised to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect the latest information.

The Group uses credit risk grades to determine whether there has been significant increase in credit risk. The Group gathers performance and default information about the customers' credit risk exposures, with reference to the type of assets under the financing arrangement.

For loan and account receivables other than account receivables from securities dealing and broking business, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

For account receivables from securities dealing and broking business, the Group considers there has been a significant increase in credit risk when clients cannot meet the margin call requirement or there is a significant deterioration in LTV or other quantitative and qualitative information and analysis.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

Internal credit risk ratings (Continued)

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increase in credit risk are effective. The Group performs periodic back-testing of its rating to consider the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECLs. The Group uses the external information including economic data and forecasts published by government bodies and monetary authorities, such as GDP growth rates, unemployment rates, etc.

In respect of the loan and account receivables other than account receivables from securities dealing and broking business, except for those are assessed to be credit-impaired, the ECLs are estimated using a calculation model using observable data as at the end of the reporting period, including the difference between (i) the effective interest rates of interest charged by the Group for similar categories of the loans and the risk-free rates of respective regions; (ii) administrative service cost of the Group; and (iii) the weighting of the loan receivables under different categories of loan receivables at each of the reporting dates. The forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables would be also incorporated in the calculation, when applicable. The Group had considered that the gross domestic growth rate and unemployment rate of respective regions that the customers locate are to be the most relevant factor, and these are applied in the regression model given the COVID-19 pandemic and some significant changes in the market indexes.

In respect of the account receivables from securities dealing and broking business, the Group estimates the ECLs based on (i) the Group's estimates of the market borrowing rates for each of the grouping less risk-free rate, which reflect the credit risk of account receivables from security dealing services and (ii) the time value of money, and are adjusted by forward-looking information that is reasonable and supportable available without undue costs and effort, such as GDP growth rate, Hang Seng Index, Hang Seng Futures Index, etc. and these are applied in the regression model given the COVID-19 pandemic and some significant changes in the market indexes. Those receivables with significant balances and credit-impaired, if any are assessed for ECLs individually.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

Internal credit risk ratings (Continued)

The following table shows the Group's credit risk grading framework:

Category	Description	Loan receivables (financial leasing) and account receivables (except for account receivables from margin clients)	Loan receivables (except for financial leasing), account receivables from margin clients and other financial assets
Performing	For financial assets where there has low risk of default or has not been a significant increase in impaired credit risk since initial recognition and that are not credit-impaired	Lifetime ECL – not credit-impaired	12-m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, such as over 90 days past due	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The identification of internal credit rating for all financial assets regularly reviewed by the management of the Company to ensure relevant information about specific financial assets is updated.

Analysis of the gross carrying amount of loan and account receivables by the Group's internal credit rating and year ended classification:

	2022 RMB'000	2021 RMB'000
Performing	**591,170**	568,936
Doubtful	**7,927**	16,563
Default	**61,836**	47,782
	660,933	633,281

Loan and account receivables with an aggregate amount of approximately RMB11,550,000 (2021: approximately RMB214,487,000) were written off as bad debts during the year, as disclosed in Notes 21(a), (b), (c) and (e).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

Maximum exposure and year-end staging

The analysis of the exposure of credit risk and ECLs for loan and account receivables at the reporting date are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit-impaired RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
As at 31 December 2022				
Financial leasing receivables				
Gross amount	44,176	1,795	30,587	76,558
Less: allowance for ECLs	–	–	(16,622)	(16,622)
Net amount	44,176	1,795	13,965	59,936
Factoring loan receivables				
Gross amount	–	–	–	–
Less: allowance for ECLs	–	–	–	–
Net amount	–	–	–	–
Small loan receivables				
Gross amount	414,481	132,102	30,047	576,630
Less: allowance for ECLs	(741)	(6,032)	(22,816)	(29,589)
Net amount	413,740	126,070	7,231	547,041
Other loan receivables				
Gross amount	–	4,893	–	4,893
Less: allowance for ECLs	–	(109)	–	(109)
Net amount	–	4,784	–	4,784
Account receivables				
Gross amount	–	1,650	1,202	2,852
Less: allowance for ECLs	–	–	(1,202)	(1,202)
Net amount	–	1,650	–	1,650

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

Maximum exposure and year-end staging (Continued)

	12-m ECL RMB'000	Lifetime ECL – not credit-impaired RMB'000	Lifetime ECL – credit-impaired RMB'000	Total RMB'000
As at 31 December 2021				
Financial leasing receivables				
Gross amount	34,854	17,070	26,374	78,298
Less: allowance for ECLs	–	–	(15,382)	(15,382)
Net amount	34,854	17,070	10,992	62,916
Factoring loan receivables				
Gross amount	–	–	–	–
Less: allowance for ECLs	–	–	–	–
Net amount	–	–	–	–
Small loan receivables				
Gross amount	469,996	54,379	20,134	544,509
Less: allowance for ECLs	(1,387)	(1,254)	(18,755)	(21,396)
Net amount	468,609	53,125	1,379	523,113
Other loan receivables				
Gross amount	–	3,266	–	3,266
Less: allowance for ECLs	–	(564)	–	(564)
Net amount	–	2,702	–	2,702
Account receivables				
Gross amount	10	5,924	1,274	7,208
Less: allowance for ECLs	–	–	(1,274)	(1,274)
Net amount	10	5,924	–	5,934

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet obligations associated with its financial liabilities. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following tables details the Group's remaining contractual maturity for its financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022						
Financial assets						
Loan and account receivables	49,395	129,261	256,836	448,381	883,873	613,411
Deposits and other receivables	444	–	317	27	788	788
Other assets	402	–	–	–	402	402
Bank balances and cash	58,288	–	–	–	58,288	58,288
Total financial assets	108,529	129,261	257,153	448,408	943,351	672,889
Financial liabilities						
Account payables	8,949	–	–	–	8,949	8,949
Deposits from financial leasing customers	100	90	1,400	1,340	2,930	2,930
Lease liabilities	–	463	878	346	1,687	1,581
Amounts due to related parties	2,552	–	–	–	2,552	2,552
Accruals and other payables	9,293	–	–	–	9,293	9,293
Dividend payable	1,449	–	–	–	1,449	1,449
Bond payable	–	–	–	20,518	20,518	17,688
Bank borrowings	–	101,017	–	–	101,017	100,023
Promissory note	–	–	4,690	–	4,690	4,186
Total financial liabilities	22,343	101,570	6,968	22,204	153,085	148,651
Financial assets over financial liabilities	86,186	27,691	250,185	426,204	790,266	524,238

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (continued)

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021						
Financial assets						
Loan and account receivables	57,010	79,284	209,626	290,521	636,441	594,665
Deposits and other receivables	196	–	190	309	695	695
Other assets	387	–	–	–	387	387
Financial assets at FVOCI	38,085	–	–	–	38,085	38,085
Bank balances and cash	100,200	–	–	–	100,200	100,200
Total financial assets	195,878	79,284	209,816	290,830	775,808	734,032
Financial liabilities						
Account payables	16,408	–	–	–	16,408	16,408
Deposits from financial leasing customers	–	–	3,189	4,125	7,314	7,314
Lease liabilities	–	490	1,360	1,641	3,491	3,192
Amounts due to related parties	641	–	–	–	641	641
Accruals and other payables	17,884	–	–	–	17,884	17,884
Dividend payable	818	–	–	–	818	818
Bond payable	–	16,630	–	–	16,630	16,301
Bank borrowings	–	100,973	–	–	100,973	99,202
Promissory note	–	–	3,314	98,004	101,318	77,793
Total financial liabilities	35,751	118,093	7,863	103,770	265,477	239,553
Financial assets over financial liabilities	160,127	(38,809)	201,953	187,060	510,331	494,479

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk

Foreign exchange risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operated in Hong Kong and the PRC with most of the transactions denominated and settled in HK$ and RMB. No foreign currency risk has been identified for the financial assets and financial liabilities denominated in HK$, which is the functional currencies of the subsidiaries in Hong Kong to which these transactions relate.

During the years, the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(e) Fair value measurement

(i) Financial instruments not measured at fair value

Except for the below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

(ii) Financial instruments measured at fair value

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis.

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values 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: fair values measured using significant unobservable input.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair value measurement (Continued)

(ii) Financial instruments measured at fair value (Continued)

	2022		
	Level 1	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**RMB'000**
Financial asset at FVOCI			
– Unlisted equity securities	**–**	**–**	**–**

	2021		
	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Financial asset at FVOCI			
– Unlisted equity securities	–	–	38,085

There were no transfers between the three Levels during the reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The movements during the year in the balance of the Level 3 fair value measurements are as follows:

	2022	2021
	RMB'000	RMB'000
Financial asset at FVOCI:		
At beginning of the year	**38,085**	33,196
Purchase of the equity securities	**–**	–
Refund received on capital reduction of the unlisted equity securities (Note 17)	**(25,312)**	–
Fair value (loss)/gain on financial asset at FVOCI (Note 17)	**(10,342)**	4,889
Proceed received on disposal (Note 17)	**(2,431)**	–
At end of the year	**–**	38,085

39. OFFSETTING OF FINANCIAL INSTRUMENTS

The disclosure set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the consolidated statement of financial position; or
- no offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and HKSCC, the Group currently has a legally enforceable right to set off money obligations receivable and payable with HKSCC on the same settlement date and the Group intends to settle on a net basis as account receivables from or account payables to HKSCC.

Except for the above, the amounts due from/to cash and margin clients that are not to be settled on the same date, the financial collateral including cash and securities received by the Group and deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

				Related amounts not offset		
	Gross amount after impairment RMB'000	Amount offset RMB'000	Net amount after impairment RMB'000	Financial instruments RMB'000	Collateral received (Note) RMB'000	Net amount RMB'000
As at 31 December 2022						
Amount of account receivables from						
– HKSCC	2,173	(1,597)	576	–	–	576
– Cash clients	–	–	–	–	–	–
– Margin clients	1,074	–	1,074	–	(1,074)	–
	3,247	(1,597)	1,650	–	(1,074)	576
Amount of account payables to						
– HKSCC	1,597	(1,597)	–	–	–	–
– Cash clients	398	–	398	–	–	398
– Margin clients	8,551	–	8,551	–	–	8,551
	10,546	(1,597)	8,949	–	–	8,949

39. OFFSETTING OF FINANCIAL INSTRUMENTS (Continued)

	Gross amount after impairment RMB'000	Amount offset RMB'000	Net amount after impairment RMB'000	Related amounts not offset: Financial instruments RMB'000	Related amounts not offset: Collateral received (Note) RMB'000	Net amount RMB'000
As at 31 December 2021						
Amount of account receivables from						
– HKSCC	5,235	(2,607)	2,628	–	–	2,628
– Cash clients	–	–	–	–	–	–
– Margin clients	3,276	–	3,276	–	(3,276)	–
	8,511	(2,607)	5,904	–	(3,276)	2,628
Amount of account payables to						
– HKSCC	2,608	(2,607)	1	–	–	1
– Cash clients	5,448	–	5,448	–	–	5,448
– Margin clients	10,959	–	10,959	–	–	10,959
	19,015	(2,607)	16,408	–	–	16,408

Note: The cash and financial collateral received/pledged represent their fair value as at 31 December 2022 (2021: Same).

No other financial instruments had been offset as at 31 December 2022 (2021: Nil).

40. EQUITY-SETTLED SHARE-BASED PAYMENTS

Pursuant to a resolution passed by the Company's shareholders at the annual general meeting held on 19 June 2017, the Company adopted a share option scheme (the "Scheme").

Particulars of the Scheme are set out bellows:

Purpose of the Scheme

The purpose of the Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group and enable the Group to attract and retain the employees of appropriate qualifications and with necessary experience to work for the Group in which any member of the Group holds any equity interest.

40. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Participants of the Scheme

The board of directors of the Company or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non- executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company in accordance with the provisions of the Scheme.

Total number of shares available for issue under the Scheme

Under the Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the Scheme if the grant of such option will result in the limit being exceeded. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the Company's shares in issue from time to time.

Maximum entitlement of each participant

No Participants shall be granted an option if total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such Participant would exceed in aggregate 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Period within which the share must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the board of directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Amount payable upon acceptance of the option and the period within which the payment must be made HK$1.00 shall be paid within 21 days from the date of offer of the option.

40. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Basis of determining the exercise price of the option

The exercise price for Shares under the Scheme shall be a price determined by the board of directors, but in any case will not be less than the highest of:

(1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading date;

(2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading immediately preceding the date of the offer; or

(3) the nominal value of a share.

Remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years from the date of adoption (i.e. 19 June 2017 and ending on 18 June 2027), after which no further options will be granted but the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior to otherwise as may be required in accordance with the provision of the Scheme.

Details of share options granted under the Scheme are as follows:

	Share options by grant date 24 April 2019	Share options by grant date 22 January 2020	Share options by grant date 14 December 2022
Number of ordinary shares issued upon exercise:			
– Director	100,000	–	–
– Senior management	350,000	–	–
– Employees	850,000	7,700,000	2,725,000
– External consultants	8,775,000	2,500,000	–
	10,075,000	10,200,000	2,725,000

For the share options granted on 29 April 2019, 8,050,000 share options are exercisable immediately from the date of grant (i.e. 24 April 2019) to 23 April 2022 (the "first tranche"); 607,500 share options are exercisable from the date of grant (i.e. 24 April 2019) to 23 April 2020 (the "second tranche"); 607,500 share options are exercisable after the expiration of 12 months from the date of grant (i.e. 24 April 2020) to 23 April 2021 (the "third tranche"); and 810,000 share options are exercisable after the expiration of 24 months from the date of grant (i.e. 24 April 2021) to 23 April 2022 (the "fourth tranche").

40. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Remaining life of the Scheme (Continued)

For the share options granted on 22 January 2020, neither vesting conditions nor vesting period were imposed on the grantees to exercise their share options at any time within 3 years from the date of grant.

For the share options granted on 14 December 2022, neither vesting conditions nor vesting period were imposed on the grantees to exercise their share options at any time within 3.5 years from the date of grant.

In the event the grantee ceases to be the participants, the share options granted to the grantee shall lapse on the date which the grantee ceases to be the participant.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

Details in the exercise prices and the movement of number of share options outstanding and exercisable are as follows:

For the year ended 31 December 2022

			Number of share options				
Grant date	Exercise price per share option HK$	Equivalent to RMB	As at 1 January 2022	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	As at 31 December 2022
24 April 2019							
– Director	7.00	6.00	40,000	–	–	(40,000)	–
– Senior management	7.00	6.00	70,000	–	–	(70,000)	–
– Employees	7.00	6.00	190,000	–	–	(190,000)	–
– External consultants	7.00	6.00	927,000	–	–	(927,000)	–
22 January 2020							
– Employees	6.12	5.44	5,140,000	–	–	(1,600,000)	3,540,000
– External consultants	6.12	5.44	2,500,000	–	–	(1,600,000)	900,000
14 December 2022							
– Employees	5.93	5.30	–	2,725,000	–	–	2,725,000
			8,867,000	2,725,000	–	(4,427,000)	7,165,000
Exercisable at the end of the year							7,165,000
Weighted average exercise price on outstanding options							HK$6.05

40. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Remaining life of the Scheme (Continued)

For the year ended 31 December 2021

Grant date	Exercise price per share option HK$	Equivalent to RMB	Number of share options: As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	As at 31 December 2021
24 April 2019							
– Director	7.00	6.00	70,000	–	–	(30,000)	40,000
– Senior management	7.00	6.00	245,000	–	–	(175,000)	70,000
– Employees	7.00	6.00	437,500	–	–	(247,500)	190,000
– External consultants	7.00	6.00	1,354,500	–	–	(427,500)	927,000
22 January 2020							
– Employees	6.12	5.44	6,200,000	–	(1,060,000)	–	5,140,000
– External consultants	6.12	5.44	2,500,000	–	–	–	2,500,000
			10,807,000	–	(1,060,000)	(880,000)	8,867,000
Exercisable at the end of the year							8,867,000
Weighted average exercise price on outstanding options							HK$6.24

The fair values of employee services received in return for share options granted are measured by reference to the fair value of share options granted.

Certain external consultants were engaged to advise on the business expansion through strategic development in the money lending business, enhancing corporate strategy and branding, as well as the potential acquisition, etc. In the opinion of the directors of the Company, the fair value of services cannot be measured reliably and the Group should measure the services rendered the external consultants by reference to the fair value of share options granted. For those external business partners who provided the referral services, the fair value of share options granted are measured by reference to the fair value of the services received.

The Group granted 6,900,000 and 1,875,000 share options to external consultants and business partners respectively during 24 April 2019. The options will entitle the grantee to subscribe for a total of 8,775,000 new shares of HK$0.01 each at an exercise price of HK$7 per share.

The Group further granted 2,500,000 share options to external consultants during 22 January 2020 which entitle the grantee to subscribe for a total of 2,500,000 new shares of HK$0.01 each at an exercise price of HK$6.12 per share.

40. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Remaining life of the Scheme (Continued)

For the fair value of services measured indirectly by reference to the fair value of the share options granted, the fair value is determined by the directors of the Company with reference to the valuation performed by an independent valuer, International Valuation Limited using the Binomial Option Pricing Model significant inputs into the model were as follows:

	Share options by grant date 24 April 2019	Share options by grant date 22 January 2020	Share options by grant date 14 December 2022
Expected volatility	32.00%–38.31%	35.01%	16.51%
Expected option life	1–3 years	3 years	3.42 years
Expected dividend yield	0.46%	0.61%	0.41%
Annual risk-free interest rate	1.66%–1.85%	1.54%	3.66%
Fair value	HK$9,241,000	HK$5,269,320	HK$1,041,412
Fair value			
– first tranche	HK$0.828	HK$0.517	HK$0.382
– second tranche	HK$0.663		
– third tranche	HK$1.304		
– fourth tranche	HK$1.701		

The expected volatility reflects the assumption that the historical volatility of future trends, adjusted for any expected changes to future volatility based on publicly available information, which may also not necessarily be the actual outcome. No other feature of the options was incorporated into the measurement of the fair value.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

During the year ended 31 December 2022, share-based payment expense of RMB931,000 (2021: RMB162,000) for the share option scheme was recognised in the consolidated statement of comprehensive income (Note 9) with a corresponding credit in share-based payment reserve.

No share options are exercised during the year. During the year ended 31 December 2021, 1,060,000 share options were exercised. At the time when the share options are subsequently exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. During the year ended 31 December 2021, there was approximately RMB487,000 transferred from share-based payment reserve to share capital and share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits. During the year ended 31 December 2022, 2,927,000 (2021: 880,000) share options lapsed as they were not exercised at the expire date or due to resignation of the grantees after vesting period, the amount of approximately RMB2,625,000 (2021: RMB1,099,000) was transferred from share option reserve to retained profits accordingly.

41. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings, promissory note and bond payable, cash and bank balances and total equity, comprising equity attributable to equity owners of the Company and non-controlling interest.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and raise of new borrowings.

Certain subsidiaries of the Group are regulated by the SFC and are required to comply with certain minimum capital requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group has established a legal and compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the legal and compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure that the Company's regulated subsidiaries are in compliance with related regulations. Those subsidiaries have been in compliance with the capital requirement imposed by the SF(FR)R throughout the year.

No material changes were made in the objectives, policies or processes for managing capital during the years.

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as below:

Name of the company	Place of incorporation/ establishment	Particulars of issued and fully paid-up share capital/ registered capital	Attributable equity interest 2022	Attributable equity interest 2021	Principal activities
Directly held					
Wealthy Way Holdings Limited	BVI	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Wealth Ton Finance Group Limited (滙通金融集團有限公司)	BVI	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Indirectly held					
China Wealthy Way Group Limited (中國富道集團有限公司)	Hong Kong	Ordinary shares of HK$274,579,569	**100%**	100%	Investment holding
CWW Finance (富道國際金融有限公司)	Hong Kong	Ordinary shares of HK$2	**100%**	100%	Investment holding
Wealthy Way (China) Finance Lease Limited (富道 (中國) 融資租賃有限公司)	The PRC	RMB333,330,000	**100%**	100%	Investment holding
Shenzhen Wealthy Way Investment Holdings Company Limited (深圳市富道投資控股有限公司*) ("SZ Wealthy Way Investment")	The PRC	RMB561,450,000 (2021: RMB180,250,000)	**100%**	100%	Provision of financial leasing, factoring and advisory services
Shenzhen Yuli Information Technology Co., Ltd. (深圳市裕利信息技術有限公司)	The PRC	None	**100%**	100%	Provision of financial advisory services
Wealthy Way Commercial Factoring Limited (深圳市富道商業保理有限公司*)	The PRC	RMB100,000,000	**100%**	100%	Not yet commenced business
Wealth Way Information Technology Limited (深圳市富道信息科技有限公司*) ("WW Information")	The PRC	RMB50,000,000	**100%**	100%	Provision of loan facilitation services
Shenzhen Haosen (深圳市浩森小額貸款股份有限公司*)	The PRC	RMB400,000,000	**100% (Note 18)**	100% (Note 18)	Provision of small loans
Grand Partner Limited (利盟控股有限公司)	Hong Kong	Ordinary shares of HK$5,300,000	**100%**	100%	Investment holding

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(a) General information of subsidiaries (Continued)

Name of the company	Place of incorporation/ establishment	Particulars of issued and fully paid-up share capital/ registered capital	Attributable equity interest 2022	2021	Principal activities
Grand Partners Asset Management Limited (利盟資產管理有限公司)	Hong Kong	Ordinary shares of HK$5,861,000	**100%**	100%	Provision of investment management and advisory services
Grand Partners Investment Consultants Limited (利盟投資顧問有限公司)	Hong Kong	Ordinary shares of HK$250,000	**100%**	100%	Provision of securities services
Grand Partners Finance Limited (利盟財務有限公司)	Hong Kong	Ordinary shares of HK$30,000,000	**100%**	100%	Provision of money lending business
Grand Partners Securities Limited (利盟證券有限公司)	Hong Kong	Ordinary shares of HK$30,000,000	**100%**	100%	Provision of securities dealing and broking services
Grand Partners Capital Limited (利盟融資有限公司)	Hong Kong	Ordinary shares of HK$10,000,000	**100%**	100%	Not yet commenced business
Shenzhen Qianhai Grand Partners Equity Investment Fund Management Company Limited (深圳前海利盟股權投資基金管理有限公司*)	The PRC	US$2,000,000	**100%**	100%	Provision of asset management services
Shenzhen Haosen Tech (深圳市浩森技術運營有限公司*)	The PRC	RMB180,000,000	**100%**	100%	Provision of information
Shenzhen Yuli (深圳裕利文化有限公司*)	The PRC	RMB50,000,000	**100%**	100%	Provision of marketing and advisory services
Shenzhen Wealthy Way Consulting Services Co. Ltd (深圳市富道諮詢服務有限公司*) ("SZ Wealthy Way Consulting")	The PRC	RMB5,000,000	**100%**	100%	Provision of financial leasing and other advisory services

* The English name of the subsidiaries established in the PRC represent management's best effort at translating the Chinese name of such subsidiaries as no English name has been registered.

(b) Partly-owned subsidiary with material non-controlling interests

As disclosed in Note 18, upon the completion of further acquisition on 24 December 2021, Shenzhen Haosen became an indirectly wholly owned subsidiary, no financial information of Shenzhen Haosen is required to disclosed.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

As disclosed in Note 28, the interest payables of the promissory note of approximately RMB14,249,000, which were recorded in "Accruals and other payables", were waived by the Vendor.

During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB1,420,000 and RMB1,420,000 in respect of lease arrangements for the properties (Note 15).

(b) Reconciliation of liabilities arising from financial 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 statement of cash flows as cash flows from financing activities:

	Due to related parties RMB'000 (Note 22)	Bank borrowing RMB'000 (Note 27)	Promissory note RMB'000 (Note 28)	Bond payable RMB'000 (Note 29)	Lease liabilities RMB'000 (Note 15(b))	Dividend payable RMB'000	Total RMB'000
At 1 January 2021	220	505,076	72,050	33,681	5,312	12,927	629,266
Changes from financing cash flows:							
Advance from related parties	421	–	–	–	–	–	421
Proceeds from bank loans	–	99,000	–	–	–	–	99,000
Repayment of bank loans	–	(504,874)	–	–	–	–	(504,874)
Interest paid	–	(13,335)	–	(112)	–	–	(13,447)
Repayment of bond payable	–	–	–	(16,603)	–	–	(16,603)
Repayment of lease liabilities (including interest paid)	–	–	–	–	(2,333)	–	(2,333)
Dividend paid	–	–	–	–	–	(15,997)	(15,997)
Total changes from financing cash flows	421	(419,209)	–	(16,715)	(2,333)	(15,997)	(453,833)
Other changes:							
Interest expenses (Note 8)	–	13,335	9,058	2,173	287	–	24,853
Interest payable (included in accruals)	–	–	(3,315)	(1,886)	–	–	(5,201)
Additions of lease liabilities (Note 15(b))	–	–	–	–	1,420	–	1,420
Gain on early redemption of bonds (Note 7)	–	–	–	(175)	–	–	(175)
Dividend declared to NCI	–	–	–	–	–	3,916	3,916
Termination of lease	–	–	–	–	(1,435)	–	(1,435)
Total other changes	–	13,335	5,743	112	272	3,916	23,378
Exchange adjustments	–	–	–	(777)	(59)	(28)	(864)
At 31 December 2021	641	99,202	77,793	16,301	3,192	818	197,947

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financial activities (Continued)

	Due to related parties RMB'000 (Note 22)	Bank borrowings RMB'000 (Note 27)	Promissory note RMB'000 (Note 28)	Bond payable RMB'000 (Note 29)	Lease liabilities RMB'000 (Note 15(b))	Dividend payable RMB'000	Total RMB'000
At 1 January 2022	641	99,202	77,793	16,301	3,192	818	197,947
Changes from financing cash flows:							
Advance from related parties	1,911	–	–	–	–	–	1,911
Proceeds from bank loans	–	100,000	–	–	–	–	100,000
Repayment of bank loans	–	(99,179)	–	–	–	–	(99,179)
Interest paid	–	(7,855)	–	(33)	–	–	(7,888)
Repayment of bond payable	–	–	–	(16,350)	–	–	(16,350)
Issuance of new bonds	–	–	–	16,335	–	–	16,335
Repayment of lease liabilities (including interest paid)	–	–	–	–	(1,898)	–	(1,898)
Dividend paid	–	–	–	–	–	(3,285)	(3,285)
Repayment of promissory note	–	–	(90,000)	–	–	–	(90,000)
Total changes from financing cash flows	1,911	(7,034)	(90,000)	(48)	(1,898)	(3,285)	(100,354)
Other changes:							
Interest expenses (Note 8)	–	7,855	9,749	1,280	197	–	19,081
Interest payable (included in accruals)	–	–	(3,315)	(1,247)	–	–	(4,562)
Gain on modification of promissory note	–	–	(145)	–	–	–	(145)
Loss on early redemption of promissory note	–	–	10,104	–	–	–	10,104
Final dividend (Note 12)	–	–	–	–	–	3,829	3,829
Total other changes	–	7,855	16,393	33	197	3,829	28,307
Exchange adjustments	–	–	–	1,402	90	87	1,579
At 31 December 2022	2,552	100,023	4,186	17,688	1,581	1,449	127,479

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	**533**	343
Within financing activities	**1,898**	2,333
	2,431	2,676

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**99,588**	113,871	176,094	196,617	83,046
Profit/(loss) before income tax	**34,953**	57,777	(140,982)	65,785	33,559
Income tax (expense)/credit	**(10,841)**	(17,558)	34,149	(24,421)	(10,553)
Profit/(loss) for the year from continuing operations	**24,112**	40,219	(106,833)	41,364	23,006
Profit/(loss) attributable to the owners of the Company	**24,112**	30,582	(111,642)	36,270	23,641

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**729,553**	796,085	1,368,887	1,710,639	1,565,359
Total liabilities	**175,166**	255,028	695,011	916,298	888,910
	554,387	541,057	673,876	794,341	676,449
Equity attributable to the owners of the Company	**554,387**	541,057	503,250	616,443	503,645