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**Quanzhou Huixin Micro-credit Co., Ltd.\***

**泉州匯鑫小額貸款股份有限公司**

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

**(Stock Code: 1577)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021;  
AND  
TERMINATION OF ISSUE OF ASSET-BACKED SECURITIES**

The board (the “**Board**”) of directors (the “**Directors**”) of Quanzhou Huixin Micro-credit Co., Ltd.\* (the “**Company**”) is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Company and its subsidiaries (the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2020, prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) promulgated by the Hong Kong Institute of Certified Public Accountants. The Board and the audit committee of the Company (the “**Audit Committee**”) have reviewed and confirmed the Interim Results. All amounts set out in this announcement are expressed in Renminbi (“**RMB**”) unless otherwise indicated.

## INTERIM RESULTS

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Amounts expressed in RMB unless otherwise stated)

		Six months ended 30 June	
	Notes	2021	2020
		(Unaudited)	(Unaudited)
Interest income	5	<b>66,894,102</b>	69,267,800
Interest expense	5	<u><b>(624,594)</b></u>	<u>(1,512,413)</u>
Interest income, net		<b>66,269,508</b>	67,755,387
Impairment losses on loans and accounts receivable, net	6	<b>(2,370,821)</b>	(45,158,322)
Operating and administrative expenses		<b>(11,916,389)</b>	(12,675,110)
Foreign exchange (loss)/gain, net		<b>(63,877)</b>	126,337
Net gains on financial assets	7	<b>4,933,772</b>	3,595,973
Other income and gains, net	8	<u><b>331,317</b></u>	<u>1,338,246</u>
<b>PROFIT BEFORE TAX</b>	9	<b>57,183,510</b>	14,982,511
Income tax expense	10	<u><b>(13,783,879)</b></u>	<u>(3,615,462)</u>
<b>NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>43,399,631</b></u>	<u>11,367,049</u>
Attributable to:			
Owners of the parent		<b>32,739,134</b>	6,463,136
Non-controlling interests		<u><b>10,660,497</b></u>	<u>4,903,913</u>
		<u><b>43,399,631</b></u>	<u>11,367,049</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	12		
Basic		<u><b>0.05</b></u>	<u>0.01</u>
Diluted		<u><b>0.05</b></u>	<u>0.01</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

	<i>Notes</i>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	13	96,271,669	31,876,542
Securities purchased under agreements to re-sell		—	3,800,000
Financial assets at fair value through profit or loss	14	267,081,112	362,839,515
Loans and accounts receivable	15	905,749,659	833,535,610
Property and equipment	16	8,462,192	8,522,484
Right-of-use assets	17	260,263	250,181
Goodwill	18	14,729,281	14,729,281
Other intangible assets		716,863	1,177,476
Deferred tax assets	19	12,229,795	10,763,785
Other assets	20	<u>11,950,881</u>	<u>42,791,685</u>
<b>TOTAL ASSETS</b>		<b><u>1,317,451,715</u></b>	<b><u>1,310,286,559</u></b>
<b>LIABILITIES</b>			
Interest-bearing bank borrowings	21	20,022,500	50,067,361
Lease liabilities	17	244,440	152,214
Income tax payable		9,035,325	3,974,827
Deferred tax liabilities	19	3,050,204	4,951,836
Other payables	22	<u>45,709,086</u>	<u>21,149,792</u>
<b>TOTAL LIABILITIES</b>		<b><u>78,061,555</u></b>	<b><u>80,296,030</u></b>
<b>NET ASSETS</b>		<b><u>1,239,390,160</u></b>	<b><u>1,229,990,529</u></b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	23	680,000,000	680,000,000
Reserves	24	146,293,780	145,756,111
Retained profits		<u>259,940,303</u>	<u>261,738,838</u>
Equity attributable to owners of the parent		<b>1,086,234,083</b>	1,087,494,949
Non-controlling interests		<u>153,156,077</u>	<u>142,495,580</u>
<b>TOTAL EQUITY</b>		<b><u>1,239,390,160</u></b>	<b><u>1,229,990,529</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Amounts expressed in RMB unless otherwise stated)

	For the six months ended 30 June 2021 (Unaudited)								
	Attributable to owners of the parent								
	Reserves						Non-		
	Share	Capital	Surplus	General	Retained		controlling	Total	
	capital	reserve	reserve	reserve	profits	Total	interests	equity	
At 1 January 2021 (Audited)	680,000,000	69,383,972	60,095,872	16,276,267	261,738,838	1,087,494,949	142,495,580	1,229,990,529	
Net profit and total comprehensive income for the period	—	—	—	—	32,739,134	32,739,134	10,660,497	43,399,631	
Appropriation to general reserve	—	—	—	537,669	(537,669)	—	—	—	
Distribution to shareholders (Note 11)	—	—	—	—	(34,000,000)	(34,000,000)	—	(34,000,000)	
Balance as at 30 June 2021 (Unaudited)	<u>680,000,000</u>	<u>69,383,972</u>	<u>60,095,872</u>	<u>16,813,936</u>	<u>259,940,303</u>	<u>1,086,234,083</u>	<u>153,156,077</u>	<u>1,239,390,160</u>	
	For the six months ended 30 June 2020 (Unaudited)								
	Attributable to owners of the parent								
	Reserves						Non-		
	Share	Capital	Surplus	General	Retained		controlling	Total	
	capital	reserve	reserve	reserve	profits	Total	interests	equity	
At 1 January 2020 (Audited)	680,000,000	69,383,972	57,494,289	16,276,267	257,244,237	1,080,398,765	148,467,025	1,228,865,790	
Net profit and total comprehensive income for the period	—	—	—	—	6,463,136	6,463,136	4,903,913	11,367,049	
Distribution to shareholders (Note 11)	—	—	—	—	(34,000,000)	(34,000,000)	(18,756,000)	(52,756,000)	
Balance as at 30 June 2020 (Unaudited)	<u>680,000,000</u>	<u>69,383,972</u>	<u>57,494,289</u>	<u>16,276,267</u>	<u>229,707,373</u>	<u>1,052,861,901</u>	<u>134,614,938</u>	<u>1,187,476,839</u>	

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(Amounts expressed in RMB unless otherwise stated)

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax:		<b>57,183,510</b>	14,982,511
Adjustments for:			
Depreciation of property and equipment		<b>420,626</b>	385,898
Depreciation of repossessed assets		—	551,429
Depreciation of right-of-use assets		<b>382,064</b>	892,370
Covid-19-related rent concessions from lessors		—	(101,533)
Amortisation of other intangible assets		<b>332,311</b>	735,076
Impairment of loans and accounts receivable		<b>2,370,821</b>	45,158,322
Accreted interest on impaired loans		<b>(12,619,171)</b>	(4,815,121)
Foreign exchange loss/(gain), net		<b>63,877</b>	(126,337)
Loss on disposal of items of property and equipment		<b>173,446</b>	9,133
Interest expense	5	<b>624,594</b>	1,512,413
Decrease/(increase) in financial assets at fair value through profit or loss		<b>95,758,403</b>	(159,573,172)
Decrease in securities purchased under agreements to re-sell		<b>3,800,000</b>	29,900,000
(Increase)/decrease in loans and accounts receivable		<b>(61,965,699)</b>	154,023,496
Decrease/(Increase) in other assets		<b>28,807,151</b>	(2,596,708)
Decrease in other payables		<b>(9,506,176)</b>	(6,910,083)
Net cash flows from operating activities before tax		<b>105,825,757</b>	74,027,694
Income tax paid		<b>(11,285,079)</b>	(19,214,744)
Net cash flows from operating activities		<b>94,540,678</b>	54,812,950

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property and equipment		<b>(491,096)</b>	(7,867,389)
Disposal of items of long-term assets		<b>1,361,713</b>	223,000
Disposal of a subsidiary		<u>—</u>	<u>536,586</u>
Net cash flows from/(used in) investing activities		<u><b>870,617</b></u>	<u>(7,107,803)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank borrowings		<b>20,000,000</b>	50,000,000
Repayment of bank borrowings		<b>(50,000,000)</b>	(70,000,000)
Interest paid		<b>(640,319)</b>	(1,516,375)
Repayment of lease liabilities		<b>(311,972)</b>	(577,792)
Dividends paid to non-controlling shareholders		<u>—</u>	<u>(18,756,000)</u>
Net cash flows used in financing activities	25	<u><b>(30,952,291)</b></u>	<u>(40,850,167)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the period		<b>64,459,004</b>	6,854,980
Effect of foreign exchange rate changes, net		<b>19,685,413</b>	36,118,840
		<u><b>(63,877)</b></u>	<u>126,337</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>			
	13	<u><b>84,080,540</b></u>	<u>43,100,157</u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

## 1. CORPORATE AND GROUP INFORMATION

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

During the period, the principal activity of the Group was the provision of loans to small and medium enterprises ("SMEs"), microenterprises and entrepreneurial individuals, as well as the provision of automobile finance leases, treasury operations and investment consulting services.

### Information about subsidiaries

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

Name	Place of incorporation and kind of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company		Principal activities and place of operation
				Direct	Indirect	
Quanzhou Huixinxing Investment Co., Ltd.	Quanzhou, China Corporation	Renminbi ("RMB") 50,000,000	RMB 50,000,000	100%	—	Investment advisory service, Quanzhou
Quanzhou Lianche Finance Leasing Co., Ltd.	Quanzhou, China Corporation	United States dollars ("USD") 10,000,000	USD 10,000,000	—	75%	Finance leasing, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd. ("JJHX")	Jinjiang, China Corporation	RMB 200,000,000	RMB 200,000,000	47.9%*	—	Provision of micro-credit, Jinjiang
Jinjiang Qiding Building Materials Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Wholesale of building materials, Jinjiang
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Information technology advisory service, Jinjiang
Hong Kong Huixinhang Co., Limited	Hong Kong, China Corporation	Hong Kong dollars ("HKD") 10,000,000	—	—	100%	Investment advisory service, Hong Kong

Name	Place of incorporation and kind of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company		Principal activities and place of operation
				Direct	Indirect	
Fujian Huichangfu Real Estate Agency Co., Ltd.	Jinjiang, China Corporation	RMB 10,000,000	RMB 500,000	—	100%	Estate brokerage services, Jinjiang
Xiamen Anshenghe Trading Co., Ltd.	Xiamen, China Corporation	RMB 5,078,000	RMB 5,078,000	—	100%	Wholesale, Xiamen
Jinjiang Qinyuan Investment Consulting Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Investment advisory service, Jinjiang

\* JJHX is accounted for as a subsidiary of the Group even though the Group has only a 47.9% equity interest in this company because of the agreement the Company entered into with another shareholder, whereby two parties agreed to act in concert in the exercise of the voting and other rights in relation to their shareholdings.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRS for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRS is described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet



the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

These amendments did not have any impact on the interim condensed consolidated financial statements of the Group. The Group intends to apply the practical expedients in future periods if they become applicable.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021, and the amendment did not have any impact on the financial position and performance of the Group.

#### 4. SEGMENT REPORTING

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

##### Geographical information

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

#### 5. INTEREST INCOME

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Interest income on:		
Loans and accounts receivable	<b>66,894,102</b>	69,267,800
Interest expense on:		
Bank loans	<b>(595,458)</b>	(1,468,926)
Lease liabilities	<b>(29,136)</b>	(43,487)
Interest income, net	<b><u>66,269,508</u></b>	<b><u>67,755,387</u></b>

## 6. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLE

The table below shows the expected credit loss (“ECL”) charges on the financial instruments for the period recorded in profit or loss:

<b>Six months ended 30 June 2021</b>	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Stage 3</b>	<b>Total</b>
Loans and accounts receivable	<u>(81,956)</u>	<u>(1,260,765)</u>	<u>3,713,542</u>	<u>2,370,821</u>
Total impairment loss	<u><u>(81,956)</u></u>	<u><u>(1,260,765)</u></u>	<u><u>3,713,542</u></u>	<u><u>2,370,821</u></u>
<b>Six months ended 30 June 2020</b>	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Stage 3</b>	<b>Total</b>
Loans and accounts receivable	<u>290,550</u>	<u>1,914,591</u>	<u>42,953,181</u>	<u>45,158,322</u>
Total impairment loss	<u><u>290,550</u></u>	<u><u>1,914,591</u></u>	<u><u>42,953,181</u></u>	<u><u>45,158,322</u></u>

## 7. NET GAINS OF FINANCIAL ASSETS

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Dividend and other income	<b>4,606,813</b>	2,094,450
Net realised gains	<b>8,197,638</b>	1,207,169
Unrealised (losses)/gains	<u><b>(7,870,679)</b></u>	<u>294,354</u>
Total	<u><u><b>4,933,772</b></u></u>	<u><u>3,595,973</u></u>

## 8. OTHER INCOME AND GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Government grants	<b>31,000</b>	513,000
Interest from bank deposits	<b>216,384</b>	115,193
Loss on disposal of items of property and equipment	<b>(173,446)</b>	(9,133)
Others	<u><b>257,379</b></u>	<u>719,186</u>
Total	<u><u><b>331,317</b></u></u>	<u><u>1,338,246</u></u>

## 9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
Depreciation and amortisation	1,135,001	2,564,773
Staff costs:		
Salaries, bonuses and allowances	6,692,946	5,860,478
Other social welfare	1,076,047	701,373
Impairment losses on loans and accounts receivable	2,370,821	45,158,322
Consulting fee	530,866	974,390
Auditor's remuneration	463,861	464,567

## 10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
Current income tax	17,151,521	6,152,763
Deferred income tax	(3,367,642)	(2,537,301)
Total	13,783,879	3,615,462

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

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

	Six months ended 30 June	
	2021	2020
Profit before tax	57,183,510	14,982,511
Tax at the applicable tax rate of 25%	14,295,877	3,745,627
Lower tax rate for specific provinces or enacted by local authority	(12,670)	(183,348)
Tax effect of income not subject to tax	(488,240)	—
Tax effect of expenses not deductible for tax purposes	12,653	50,845
Adjustment in respect of current tax of previous periods	119,002	(46,751)
Effect on opening deferred tax of decrease in rates	(155,720)	—
Tax losses not recognised	12,977	49,089
Total tax expense for the period at the Group's effective tax rate	13,783,879	3,615,462

## 11. DIVIDENDS

A dividend of RMB0.05 per ordinary share in respect of the profit for the year ended 31 December 2020 amounting to RMB34 million was approved at the annual general meeting of the Company held on 11 June 2021. The dividend of RMB34 million was undistributed and recorded in other liabilities as at 30 June 2021. Such dividend was distributed on 10 August 2021.

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

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

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

	Six months ended 30 June	
	2021	2020
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>32,739,134</u>	<u>6,463,136</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>680,000,000</u>	<u>680,000,000</u>
Basic and diluted earnings per share	<u><u>0.05</u></u>	<u><u>0.01</u></u>

## 13. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Cash on hand	42,741	49,727
Cash at banks	95,357,988	31,366,248
Cash equivalents	<u>870,940</u>	<u>460,567</u>
Cash and cash equivalents in the statement of financial position	96,271,669	31,876,542
Less: restricted current deposit	<u>(12,191,129)</u>	<u>(12,191,129)</u>
Cash and cash equivalents in the statement of cash flow	<u><u>84,080,540</u></u>	<u><u>19,685,413</u></u>

At the end of the Reporting Period, the cash and bank balances of the Group denominated in USD amounted to RMB5,343,412 (31 December 2020: RMB6,268,141). Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 30 June 2021, restricted current deposit represents deposit frozen by a court in connection with a pending lawsuit as disclosed in note 27.

#### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	<b>30 June 2021</b>	<b>31 December 2020</b>
At fair value through profit or loss			
Wealth management products	<i>(a)</i>	8,242,872	131,435,292
Listed equity investments	<i>(b)</i>	180,401,992	203,497,188
Listed funds		7,208,493	8,817,839
Designated as at fair value through profit or loss	<i>(c)</i>		
Unlisted equity investments		37,027,755	19,089,196
Purchased non-performing loans (“NPLs”)		<u>34,200,000</u>	<u>—</u>
		<u><u>267,081,112</u></u>	<u><u>362,839,515</u></u>

(a) Wealth management products purchased from time to time, which are held for a relatively short period of time, offered by licensed commercial banks in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(b) The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

(c) The unlisted equity investments and purchased NPLs were designated as at fair value through profit or loss on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group.

#### 15. LOANS AND ACCOUNTS RECEIVABLE

	<b>30 June 2021</b>	31 December 2020
Loans receivable	<b>953,020,139</b>	876,020,275
Lease receivables	<b>4,518,181</b>	11,210,561
Less: Unearned finance income	<u><b>(303,118)</b></u>	<u>(735,504)</u>
Net lease receivables	<b>4,215,063</b>	10,475,057
Less: Allowance for impairment		
— Individually assessed	<b>(34,825,817)</b>	(34,957,275)
— Collectively assessed	<u><b>(16,659,726)</b></u>	<u>(18,002,447)</u>
Total	<u><u><b>905,749,659</b></u></u>	<u><u>833,535,610</u></u>

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

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 30 June 2021, 27.2% (31 December 2020: 34.6%) of loans receivable were guaranteed loans, and 69.5% (31 December 2020: 64.8%) of loans receivable were collateral-backed loans.

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

	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Stage 3</b>	<b>Total</b>
Gross carrying amount as at 1 January 2020	767,888,075	323,239,966	73,490,183	1,164,618,224
New	1,098,464,816	—	—	1,098,464,816
Derecognised (excluding write-off)	(1,260,431,475)	(51,773,106)	(4,735,330)	(1,316,939,911)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(61,979,464)	61,979,464	—	—
Transfer to Stage 3	(7,719,090)	(166,153,948)	173,873,038	—
Write-off	—	—	(60,647,797)	(60,647,797)
Recover of loans and accounts receivable written-off	—	—	1,000,000	1,000,000
At 31 December 2020	<b><u>536,222,862</u></b>	<b><u>167,292,376</u></b>	<b><u>182,980,094</u></b>	<b><u>886,495,332</u></b>
New	1,113,824,291	—	—	1,113,824,291
Derecognised (excluding write-off)	(1,018,665,179)	(14,008,649)	(19,184,764)	(1,051,858,592)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(61,703,384)	61,703,384	—	—
Transfer to Stage 3	(1,319,040)	(39,300,000)	40,619,040	—
Recover of loans and accounts receivable written-off	—	—	8,774,171	8,774,171
At 30 June 2021	<b><u>568,359,550</u></b>	<b><u>175,687,111</u></b>	<b><u>213,188,541</u></b>	<b><u>957,235,202</u></b>

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

	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Stage 3</b>	<b>Total</b>
ECL allowance as at 1 January 2020	4,245,930	18,109,512	43,438,596	65,794,038
Net charge/(reversal) of the impairment	(515,008)	566,079	47,081,878	47,132,949
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(302,321)	302,321	—	—
Transfer to Stage 3	(37,932)	(9,762,287)	9,800,219	—
Accreted interest on impaired loans	—	—	(22,311,384)	(22,311,384)
Impact on period end ECL of exposures transferred between stages during the period	—	5,396,153	16,595,763	21,991,916
Write-off	—	—	(60,647,797)	(60,647,797)
Recovery of loans and accounts receivable written off	—	—	1,000,000	1,000,000
At 31 December 2020	<u><b>3,390,669</b></u>	<u><b>14,611,778</b></u>	<u><b>34,957,275</b></u>	<u><b>52,959,722</b></u>
Net charge of the impairment	<b>537,724</b>	<b>(1,675,806)</b>	<b>(2,121,571)</b>	<b>(3,259,653)</b>
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	<b>(604,404)</b>	<b>604,404</b>	—	—
Transfer to Stage 3	<b>(15,276)</b>	<b>(3,675,730)</b>	<b>3,691,006</b>	—
Accreted interest on impaired loans	—	—	<b>(12,619,171)</b>	<b>(12,619,171)</b>
Impact on period end ECL of exposures transferred between stages during the period	—	<b>3,486,367</b>	<b>2,144,107</b>	<b>5,630,474</b>
Recovery of loans and accounts receivable written off	—	—	<b>8,774,171</b>	<b>8,774,171</b>
At 30 June 2021	<u><b>3,308,713</b></u>	<u><b>13,351,013</b></u>	<u><b>34,825,817</b></u>	<u><b>51,485,543</b></u>

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

	<b>30 June 2021</b>	31 December 2020
Lease receivables:		
Due within 1 year	<b>4,305,259</b>	10,389,311
Due in 1 to 2 years	<b>120,408</b>	821,250
Due in 2 to 3 years	<b>92,514</b>	—
	<b><u>4,518,181</u></b>	<b><u>11,210,561</u></b>
	<b>30 June 2021</b>	31 December 2020
Net lease receivables:		
Due within 1 year	<b>4,047,024</b>	9,696,680
Due in 1 to 2 years	<b>82,475</b>	778,377
Due in 2 to 3 years	<b>85,564</b>	—
	<b><u>4,215,063</u></b>	<b><u>10,475,057</u></b>

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



## 16. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:					
At 1 January 2020	—	1,532,901	1,572,232	2,725,777	5,830,910
Additions	6,917,546	—	1,433,416	—	8,350,962
Disposals	—	—	(57,401)	—	(57,401)
<b>At 31 December 2020</b>	<b>6,917,546</b>	<b>1,532,901</b>	<b>2,948,247</b>	<b>2,725,777</b>	<b>14,124,471</b>
<b>Additions</b>	<b>210,734</b>	<b>6,481</b>	<b>143,119</b>	<b>—</b>	<b>360,334</b>
<b>At 30 June 2021</b>	<b>7,128,280</b>	<b>1,539,382</b>	<b>3,091,366</b>	<b>2,725,777</b>	<b>14,484,805</b>
Accumulated depreciation:					
At 1 January 2020	—	1,283,024	1,238,607	2,388,459	4,910,090
Depreciation charge for the year	24,182	93,426	281,997	337,318	736,923
Disposals	—	—	(45,026)	—	(45,026)
<b>At 31 December 2020</b>	<b>24,182</b>	<b>1,376,450</b>	<b>1,475,578</b>	<b>2,725,777</b>	<b>5,601,987</b>
<b>Depreciation charge for the period</b>	<b>169,445</b>	<b>85,963</b>	<b>165,218</b>	<b>—</b>	<b>420,626</b>
<b>At 30 June 2021</b>	<b>193,627</b>	<b>1,462,413</b>	<b>1,640,796</b>	<b>2,725,777</b>	<b>6,022,613</b>
Net carrying amount:					
<b>At 30 June 2021</b>	<b>6,934,653</b>	<b>76,969</b>	<b>1,450,570</b>	<b>—</b>	<b>8,462,192</b>
At 31 December 2020	6,893,364	156,451	1,472,669	—	8,522,484

## 17. LEASES

### The Group as a lessee

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

#### (a) *Right-of-use assets*

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

	<b>Properties</b>
At 1 January 2020	1,930,175
Additions	58,117
Depreciation charge	<u>(1,738,111)</u>
<b>At 31 December 2020</b>	<b>250,181</b>
<b>Additions</b>	<b>396,899</b>
<b>Depreciation charge</b>	<b>(382,064)</b>
<b>Revision of a lease term</b>	<b><u>(4,753)</u></b>
<b>At 30 June 2021</b>	<b><u><u>260,263</u></u></b>

#### (b) *Lease liabilities*

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

	<b>Lease liabilities</b>
Carrying amount at 1 January 2020	1,647,345
New leases	58,117
Accretion of interest recognised during the year	26,418
Covid-19-related rent concessions from lessors	(101,533)
Payments	<u>(1,478,133)</u>
<b>Carrying amount at 31 December 2020</b>	<b>152,214</b>
<b>New leases</b>	<b>396,899</b>
<b>Accretion of interest recognised during the period</b>	<b>29,136</b>
<b>Payments</b>	<b>(311,972)</b>
<b>Revision of a lease term</b>	<b><u>(21,837)</u></b>
<b>Carrying amount at 30 June 2021</b>	<b><u><u>244,440</u></u></b>

The maturity analysis of lease liabilities is disclosed in note 29 to the interim condensed consolidated financial information.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
Interest on lease liabilities	<b>29,136</b>	43,487
Depreciation charge for right-of-use assets	<b>382,064</b>	892,370
Covid-19-related rent concessions from lessors	<u>—</u>	<u>(101,533)</u>
 Total amount recognised in profit or loss	 <b><u>411,200</u></b>	 <u>834,324</u>

(d) The total cash outflow for leases is disclosed in note 25(b) to the interim condensed consolidated financial information. At 30 June 2021, there were no future cash outflows relating to leases that have not yet commenced.

## 18. GOODWILL

At 1 January 2020	
Cost	16,950,298
Accumulated impairment	<u>(2,221,017)</u>
Net carrying amount	<u>14,729,281</u>
Cost at 1 January 2020, net of accumulated impairment	14,729,281
Impairment during the year	<u>—</u>
At 31 December 2020	<u>14,729,281</u>
At 31 December 2020	
Cost	16,950,298
Accumulated impairment	<u>(2,221,017)</u>
Net carrying amount	<u>14,729,281</u>
 <b>Cost at 1 January 2021 and 30 June 2021, net of accumulated impairment</b>	 <b><u>14,729,281</u></b>
 At 30 June 2021:	
Cost	16,950,298
Accumulated impairment	<u>(2,221,017)</u>
Net carrying amount	<u>14,729,281</u>

## 19. DEFERRED TAX

The movements in the deferred tax assets are as follows:

### Gross deferred tax assets

	<b>Impairment allowance on loans</b>	<b>Fair value adjustments of financial assets at fair value through profit or loss</b>	<b>Tax losses</b>	<b>Total</b>
At 1 January 2020	3,149,311	33,382	380	3,183,073
Recognised in profit or loss	<u>4,550,791</u>	<u>3,030,301</u>	<u>(380)</u>	<u>7,580,712</u>
<b>At 31 December 2020</b>	<b>7,700,102</b>	<b>3,063,683</b>	<b>—</b>	<b>10,763,785</b>
<b>Recognised in profit or loss</b>	<b><u>1,431,603</u></b>	<b><u>34,407</u></b>	<b><u>—</u></b>	<b><u>1,466,010</u></b>
<b>At 30 June 2021</b>	<b><u>9,131,705</u></b>	<b><u>3,098,090</u></b>	<b><u>—</u></b>	<b><u>12,229,795</u></b>

### Gross deferred tax liabilities

		<b>Fair value adjustments of financial assets at fair value through profit or loss</b>	<b>Total</b>
At 1 January 2020		116,857	116,857
Recognised in profit or loss		<u>4,834,979</u>	<u>4,834,979</u>
<b>At 31 December 2020</b>		<b>4,951,836</b>	<b>4,951,836</b>
<b>Recognised in profit or loss</b>		<b><u>(1,901,632)</u></b>	<b><u>(1,901,632)</u></b>
<b>At 30 June 2021</b>		<b><u>3,050,204</u></b>	<b><u>3,050,204</u></b>

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

	<b>30 June 2021</b>	31 December 2020
Net deferred tax assets recognised in the interim condensed consolidated statement of financial position	<b>12,229,795</b>	10,763,785
Net deferred tax liabilities recognised in the interim condensed consolidated statement of financial position	<b><u>3,050,204</u></b>	<b><u>4,951,836</u></b>

The Group has tax unrecognised losses arising in Mainland China of RMB864,302 (2020: RMB400,787) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

## 20. OTHER ASSETS

	<i>Notes</i>	<b>30 June 2021</b>	31 December 2020
Repossessed assets	<i>(a)</i>	<b>9,030,850</b>	10,505,899
Prepaid tax		<b>437,350</b>	1,243,280
Deposit payment	<i>(b)</i>	—	30,000,000
Other receivables		<b>1,135,841</b>	604,807
Deferred and prepaid expenses		<b><u>1,346,840</u></b>	<u>437,699</u>
		<b><u>11,950,881</u></b>	<b><u>42,791,685</u></b>

(a) Repossessed assets are properties located at Quanzhou, Fujian Province in the PRC. The contracts to effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2020: RMB8,060,000) have not been obtained because these properties are still under development.

(b) As at 31 December 2020, the Group entered into an agreement to purchase a NPL portfolio from a third party and paid a deposit of RMB30,000,000. At the same time, the Group transferred part of the to-be-acquired NPL portfolio to some individual investors and received deposits of RMB12,870,000 as disclosed in note 22. As at 30 June 2021, the transaction has been completed.

## 21. INTEREST-BEARING BANK BORROWINGS

	30 June 2021	31 December 2020
Guaranteed bank loans repayable:		
Within one year	<u>20,022,500</u>	<u>50,067,361</u>

As at 30 June 2021, the annual interest rate of the loans above was 4.50% (31 December 2020: 4.85%).

The interest-bearing bank borrowings of RMB20 million as at 30 June 2021 were guaranteed by one of the shareholders of the Company, Fujian Septwolves Group Co., Ltd. (“**Septwolves Group**”).

## 22. OTHER PAYABLES

	30 June 2021	31 December 2020
Dividend payable	34,000,000	—
Payrolls payable	3,078,148	3,507,443
Value-added tax, and surcharges payable	2,013,997	1,850,489
Deposits*	5,215,000	13,670,000
Others	<u>1,401,941</u>	<u>2,121,860</u>
	<u>45,709,086</u>	<u>21,149,792</u>

\* As at 31 December 2020, the balance includes deposits of RMB12,870,000 received in connection with the transfer of part of the NPL portfolio, as disclosed in note 20(b). As at 30 June 2021, there was no deposits in relation to the aforementioned transaction because the related NLP portfolio has been transferred to the individuals.

## 23. SHARE CAPITAL

	30 June 2021	31 December 2020
Issued and fully paid ordinary shares of RMB1 each	<u>680,000,000</u>	<u>680,000,000</u>

## 24. RESERVES

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

### Capital reserve

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

## Surplus reserve

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

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

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

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

## General reserve

In accordance with the relevant regulations, the Company and its subsidiary JJHX, which operate micro-credit business in Mainland China, are required to set aside general reserves through appropriations of profit after tax on an annual basis, and the balance of the general reserve of each company should reach 1.5% of its risk assets. Such reserve is not available for profit distribution or transfer to capital. As at 30 June 2021, the balance of the general reserve of the Group was RMB16.8 million, more than 1.5% of its risk assets.

## 25. NOTE TO THE INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

	<b>Bank borrowings and interest payable</b>	<b>Lease liabilities</b>	<b>Amounts due to shareholders</b>	<b>Amounts due to non- controlling shareholders</b>
At 1 January 2020	70,108,074	1,647,345	—	—
Changes from financing cash flows	(21,516,375)	(577,792)	—	(18,756,000)
Covid-19-related rent concessions from lessors	—	(101,533)	—	—
2019 final dividends payable	—	—	34,000,000	18,756,000
Interest expense	<u>1,468,926</u>	<u>43,487</u>	<u>—</u>	<u>—</u>
At 30 June 2020	<u><u>50,060,625</u></u>	<u><u>1,011,507</u></u>	<u><u>34,000,000</u></u>	<u><u>—</u></u>

	<b>Bank borrowings and interest payable</b>	<b>Lease liabilities</b>	<b>Amounts due to shareholders</b>
At 1 January 2021	50,067,361	152,214	—
Changes from financing cash flows	(30,640,319)	(311,972)	—
New leases	—	396,899	—
Disposals	—	(21,837)	—
2020 final dividends payable	—	—	34,000,000
Interest expense	<u>595,458</u>	<u>29,136</u>	<u>—</u>
At 30 June 2021	<u><u>20,022,500</u></u>	<u><u>244,440</u></u>	<u><u>34,000,000</u></u>

**(b) Total cash outflow for leases**

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

	<b>Six months ended 30 June</b>	
	2021	2020
Within financing activities	<u><u>311,972</u></u>	<u><u>679,325</u></u>

**26. RELATED PARTY DISCLOSURES**

**(a) Compensation of key management personnel of the Group**

	<b>Six months ended 30 June</b>	
	2021	2020
Salaries and other short-term employee benefits	<u><u>900,303</u></u>	<u><u>1,021,192</u></u>

**(b) Loan guarantee**

The interest-bearing bank borrowings of RMB20 million as at 30 June 2021 were guaranteed by Septwolves Group. The guarantee fee of RMB245,216 was accrued during the period, which was based on a fixed rate of the balance of the interest-bearing bank borrowings.

**(c) Loan facilitation services**

During the period, the Group provided loan facilitation services to a related party, Fujian Yuanheng Pegadaian Co., Ltd., and received a fee of revenue of RMB4,680.



(d) **Lease fee**

The Group has signed a lease agreement with Xiamen Septwolves Asset Management Co., Ltd. (“**Septwolves AMC**”), a subsidiary of Septwolves Group. For the six months ended 30 June 2021, the Group paid Septwolves AMC RMB60,000 for the rent.

(e) **Outstanding balances with related party**

As at 30 June 2021, the Group prepaid guarantee fee to Septwolves Group, with the outstanding balance of RMB7,370. The balance is unsecured and interest-free.

**27. CONTINGENT LIABILITIES**

As at 30 June 2021, the Company was subject to one pending civil litigation proceedings as one of the defendants in relation to the shareholder obligation of capital commitment with an amount of approximately RMB12.0 million for the Company. As the date of this announcement, no hearing has been held. The Directors, based on the advice from PRC legal adviser, believe that no provisions were needed and the proceeding would not have any material adverse effect on the Group’s business, financial position or results of operations.

**28. COMMITMENTS**

The Group had the following capital commitments at the end of the Reporting Period:

	<b>30 June 2021</b>	31 December 2020
Contracted, but not provided for:		
Leasehold improvements	<b>1,754,398</b>	203,248
Software	<b>433,000</b>	680,000
	<b><u>2,187,398</u></b>	<u>883,248</u>

## 29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date. For purposes of the tables set forth, “Loans and accounts receivable” are considered overdue only if principal payments are overdue. In addition, for loans and accounts receivable that are repayable by instalments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity:

	30 June 2021					Total
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash Equivalents*	84,080,540	—	—	—	—	84,080,540
Financial assets at fair value through profit or loss	8,242,872	—	—	—	258,838,240	267,081,112
Loans and accounts receivable	—	98,838,847	229,989,274	558,454,343	18,467,195	905,749,659
Property and equipment	—	—	—	—	8,462,192	8,462,192
Right-of-use assets	—	—	—	—	260,263	260,263
Goodwill	—	—	—	—	14,729,281	14,729,281
Other intangible assets	—	—	—	—	716,863	716,863
Deferred tax assets	—	—	—	—	12,229,795	12,229,795
Other assets	—	—	1,471,922	1,313,606	9,165,353	11,950,881
Subtotal	<u>92,323,412</u>	<u>98,838,847</u>	<u>231,461,196</u>	<u>559,767,949</u>	<u>322,869,182</u>	<u>1,305,260,586</u>
Liabilities:						
Interest-bearing bank borrowings	—	—	22,500	20,000,000	—	20,022,500
Lease liabilities	—	—	244,440	—	—	244,440
Income tax payable	—	—	9,035,325	—	—	9,035,325
Deferred tax liabilities	—	—	—	—	3,050,204	3,050,204
Other payables	—	—	40,342,483	27,253	5,339,350	45,709,086
Subtotal	<u>—</u>	<u>—</u>	<u>49,644,748</u>	<u>20,027,253</u>	<u>8,389,554</u>	<u>78,061,555</u>
Net	<u>92,323,412</u>	<u>98,838,847</u>	<u>181,816,448</u>	<u>539,740,696</u>	<u>314,479,628</u>	<u>1,227,199,031</u>

\* Excluding a current deposit in a restricted account.

	31 December 2020					Total
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	
<b>Assets:</b>						
Cash and cash Equivalents*	19,685,413	—	—	—	—	19,685,413
Financial assets held under resale agreements	—	—	3,800,000	—	—	3,800,000
Financial assets at fair value through profit or loss	131,435,292	—	—	—	231,404,223	362,839,515
Loans and accounts receivable	—	48,843,643	202,617,544	501,001,298	81,073,125	833,535,610
Property and equipment	—	—	—	—	8,522,484	8,522,484
Right-of-use assets	—	—	—	—	250,181	250,181
Goodwill	—	—	—	—	14,729,281	14,729,281
Other intangible assets	—	—	—	—	1,177,476	1,177,476
Deferred tax assets	—	—	—	—	10,763,785	10,763,785
Other assets	137,833	—	30,268,233	1,760,861	10,624,758	42,791,685
<b>Subtotal</b>	<b>151,258,538</b>	<b>48,843,643</b>	<b>236,685,777</b>	<b>502,762,159</b>	<b>358,545,313</b>	<b>1,298,095,430</b>
<b>Liabilities:</b>						
Interest-bearing bank borrowings	—	—	50,067,361	—	—	50,067,361
Lease liabilities	—	—	137,385	14,829	—	152,214
Income tax payable	—	—	3,974,827	—	—	3,974,827
Deferred tax liabilities	—	—	—	—	4,951,836	4,951,836
Other payables	—	—	19,865,498	984,294	300,000	21,149,792
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>74,045,071</b>	<b>999,123</b>	<b>5,251,836</b>	<b>80,296,030</b>
<b>Net</b>	<b>151,258,538</b>	<b>48,843,643</b>	<b>162,640,706</b>	<b>501,763,036</b>	<b>353,293,477</b>	<b>1,217,799,400</b>

\* Excluded current deposit in a restricted account.

### 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group's financial assets mainly include cash at banks, securities purchased under agreements to re-sell, financial assets at fair value through profit or loss and loans and accounts receivable.

The Group's financial liabilities mainly include interest-bearing bank borrowings, lease liabilities and other payables.

Due to the short remaining period or periodical repricing to reflect market price, the carrying amounts of these financial assets and liabilities approximate to their fair values.

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurements of financial instruments. The finance director reports directly to the general manager and the audit committee. At each reporting date, the Group analyses the movements in the values of financial instruments. The valuation is reviewed and approved by the general manager.

The fair values of unlisted equity investments were determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; making reference to the current market value of another instrument that is substantially the same and net assets referring as much use of available and supportable market data as possible. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, are reasonable, and that they were the most appropriate values at the end of the reporting period.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

#### *Assets measured at fair value:*

<b>As at 30 June 2021</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Fair value measurement using</b>		<b>Total</b>
		<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	
Financial assets at fair value through profit or loss	<u>195,853,357</u>	<u>—</u>	<u>71,227,755</u>	<u>267,081,112</u>
<b>As at 31 December 2020</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Fair value measurement using</b>		<b>Total</b>
		<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	
Financial assets at fair value through profit or loss	<u>343,750,319</u>	<u>—</u>	<u>19,089,196</u>	<u>362,839,515</u>

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 (31 December 2020: Nil).

During the six months ended 30 June 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets (For the six months ended 30 June 2020: Nil).

*Important unobservable input value in fair value measurement of Level 3*

As at 30 June 2021	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investment	1,750,592	Adjusted recent transaction price	N/A	N/A
Unlisted equity investment	23,277,163	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Unlisted equity investment	12,000,000	Recent transaction price	N/A	N/A
Purchased NPLs	34,200,000	Recent transaction price	N/A	N/A
As at 31 December 2020	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investment	1,750,592	Adjusted recent transaction price	N/A	N/A
Unlisted equity investment	7,338,604	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Unlisted equity investment	10,000,000	Recent transaction price	N/A	N/A

*The movements in fair value measurements within Level 3 during the period are as follows:*

	2021	2020
Financial assets at fair value through profit or loss		
At 1 January	19,089,196	19,930,003
Total gains recognised in profit or loss	5,938,559	(1,285,833)
Purchases	46,200,000	—
At 30 June	<u>71,227,755</u>	<u>18,644,170</u>

### 31. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed in other notes, the Group had no significant event after the Reporting Period.

## 32. INTERIM STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the interim statement of financial position of the Company at the end of the Reporting Period is as follows:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b>ASSETS</b>		
Cash and cash equivalents	86,624,970	23,939,178
Financial assets at fair value through profit or loss	1,750,592	36,912,036
Loans and accounts receivable	597,137,815	612,082,011
Property and equipment	167,776	192,105
Right-of-use assets	260,263	187,846
Investments in subsidiaries	177,322,133	177,322,133
Intangible assets	56,604	124,528
Deferred tax assets	10,748,525	9,640,687
Other assets	<u>238,171,702</u>	<u>253,867,698</u>
<b>TOTAL ASSETS</b>	<b><u>1,112,240,380</u></b>	<b><u>1,114,268,222</u></b>
<b>LIABILITIES</b>		
Interest-bearing bank borrowings	20,022,500	50,067,361
Lease liabilities	244,440	107,368
Income tax payable	4,223,610	—
Other payables	<u>38,584,184</u>	<u>3,890,806</u>
<b>TOTAL LIABILITIES</b>	<b><u>63,074,734</u></b>	<b><u>54,065,535</u></b>
<b>NET ASSETS</b>	<b><u>1,049,165,646</u></b>	<b><u>1,060,202,687</u></b>
<b>EQUITY</b>		
Share capital	680,000,000	680,000,000
Reserves	145,756,111	145,756,111
Retained profits	<u>223,409,535</u>	<u>234,446,576</u>
<b>TOTAL EQUITY</b>	<b><u>1,049,165,646</u></b>	<b><u>1,060,202,687</u></b>

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

	<b>Capital reserve</b>	<b>Surplus reserve</b>	<b>General reserve</b>	<b>Total</b>
Balance as at 1 January 2020	69,383,972	57,494,289	16,276,267	143,154,528
Appropriation to surplus reserve	—	2,601,583	—	2,601,583
Appropriation to general reserve	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Balance as at 31 December 2020, 1 January 2021 and 30 June 2021</b>	<b><u>69,383,972</u></b>	<b><u>60,095,872</u></b>	<b><u>16,276,267</u></b>	<b><u>145,756,111</u></b>

### 33. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The interim condensed consolidated financial information has been approved and authorised for issue by the Board on 20 August 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

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

With China’s industrial reform and equipment upgrades, the steady growth of China’s fixed asset investment has created greater potential for the development of the finance leasing industry. In 2016, Fujian provincial government promulgated the Opinions on Promoting the Development of the Finance Leasing Industry (關於促進融資租賃業發展的意見), which has implemented effective measures in taxation and development environment to support the finance leasing industry in Fujian province.

### Business Overview

Our Group is principally engaged in loan business and finance leasing business. We conduct our loan business primarily through the Company and JJHX. Based in Quanzhou city, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2020, according to the statistics of the Fujian Financial Supervision Bureau (福建省地方金融監督管理局). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs. Through Lianche, we commenced our finance leasing business principally engagement in the provision of automobile finance leasing services for SMEs and individuals in the PRC.



We generate substantially all of our income by charging interest on the loans and finance leases extended to our customers. For the six months ended 30 June 2021, the total loans and finance leases granted to our customers amounted to RMB1,113.4 million. Our interest income from loans receivable was RMB66.5 million for the six months ended 30 June 2021. Our interest income from finance lease receivables was RMB0.4 million for the six month ended 30 June 2021.

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

	<b>As of 30 June 2021</b>	As of 31 December 2020
Share capital ( <i>RMB in millions</i> )	<b>680.0</b>	680.0
Net capital ( <i>RMB in millions</i> ) <sup>(1)</sup>	<b>1,239.4</b>	1,230.0
Principal amount of outstanding loans ( <i>RMB in millions</i> )	<b>946.5</b>	869.9
Lease receivables ( <i>RMB in millions</i> )	<b>4.5</b>	11.2
Loan and finance lease/Net capital ratio <sup>(2)</sup>	<b>0.77 times</b>	0.72 times

*Notes:*

- (1) Represents the aggregate of our share capital, reserves and retained profits of our Group.
- (2) Represents the principal amount of our outstanding loans and the total amount of our lease receivables divided by our net capital.

## ***Our Loan Business***

### *Loan Portfolio*

The principal amount of our outstanding loans increased steadily from RMB869.9 million as of 31 December 2020 to RMB946.5 million as of 30 June 2021, primarily because of the adjustment of our loan size as the economic recovery from pandemic.

### *Revolving Loans and Term Loans*

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

	<b>As of</b>		<b>As of</b>	
	<b>30 June 2021</b>		<b>31 December 2020</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Principal amount of outstanding loans:				
Revolving loans	<b>624,923</b>	<b>66.0</b>	628,525	72.2
Term loans	<b>321,596</b>	<b>34.0</b>	241,413	27.8
<b>Total</b>	<b>946,519</b>	<b>100.0</b>	869,938	100.0

### *Loan portfolio by security*

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

	<b>As of</b>		<b>As of</b>	
	<b>30 June 2021</b>		<b>31 December 2020</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Principal amount of outstanding loans:				
Credit loans	<b>31,580</b>	<b>3.3</b>	5,000	0.6
Guaranteed loans	<b>257,184</b>	<b>27.2</b>	301,169	34.6
Collateral-backed loans				
— with guarantee	<b>448,188</b>	<b>47.4</b>	543,768	62.5
— without guarantee	<b>209,567</b>	<b>22.1</b>	20,001	2.3
<b>Total</b>	<b>946,519</b>	<b>100.0</b>	869,938	100.0

Our guaranteed loans decreased from RMB301.2 million as of 31 December 2020 to RMB257.2 million as of 30 June 2021 mainly because we enhanced the approval standard of the guaranteed loans.

### *Past due loans*

The principal amount of our past due loans was RMB70.7 million and RMB123.2 million as of 31 December 2020 and 30 June 2021, respectively, accounting for 8.1% and 13.0% of the total principal amount of our outstanding loans as of the same dates.

We had 20 past due loans with an aggregate amount of RMB70.7 million as of 31 December 2020. As of 30 June 2021, RMB17.6 million of the principal amount of these past due loans as of 31 December 2020 had been settled. As of 30 June 2021, the remaining portion of the principal amount of these past due loans as of 31 December 2020 was RMB53.1 million and the allowance for impairment losses for the remaining portion of the past due loans as of 31 December 2020 was RMB17.0 million.

As of 30 June 2021, we had 20 past due loans with an aggregate amount of RMB123.2 million, and our allowance for impairment losses for these past due loans as of the same date was RMB24.4 million.

The principal amount of our past due loans increased from RMB70.7 million as of 31 December 2020 to RMB123.2 million as of 30 June 2021, mainly because some of our loans were overdue as a result of the current temporary cash flow difficulties of the borrowers. We expect the loss probability of our past due loans is low since most of our past due loans were pledged or guaranteed by collaterals.

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

	As of 30 June 2021		As of 31 December 2020	
	RMB'000	%	RMB'000	%
Normal	564,319	59.6	523,786	60.3
Special-mention	298,905	31.6	259,218	29.8
Substandard	67,353	7.1	69,865	8.0
Doubtful	6,121	0.7	2,769	0.3
Loss	<u>9,821</u>	<u>1.0</u>	<u>14,300</u>	<u>1.6</u>
<b>Total</b>	<b><u>946,519</u></b>	<b><u>100.0</u></b>	<b><u>869,938</u></b>	<b><u>100.0</u></b>

We assess impairment either collectively or individually as appropriate. We assess our loans for impairment at the end of each relevant period, determine a level of allowance, and recognize any related provisions using the concept of impairment under HKFRS 9. For the loans in stage 1 and stage 2 for measurement of ECL which were the “normal” loans and part of the “special-mention” loans, given that they are not impaired, we make collective assessment based primarily on factors including

prevailing general market and industry conditions and historical impaired ratio. For the remaining loans, the impairment losses are assessed individually by evaluating the loss that we expect to incur on the balance sheet date.

As of 30 June 2020 and 2021, our principal amount of our outstanding loans of each categories remained stable.

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

	<b>As of/For the six months ended 30 June 2021</b>	As of/For the year ended 31 December 2020
	<i>(RMB'000, except for percentage)</i>	
<b>Non-performing loan ratio</b> <sup>(1)</sup>	<b>8.7%</b>	9.9%
Balance of non-performing loans receivable	<b>83,295</b>	86,933
Balance of gross loans receivable	<b>953,020</b>	876,020
<b>Allowance coverage ratio</b> <sup>(2)</sup>	<b>61.4%</b>	60.3%
Allowance for loans losses <sup>(3)</sup>	<b>51,131</b>	52,434
Balance of non-performing loans receivable	<b>83,295</b>	86,933
<b>Provision for impairment losses ratio</b> <sup>(4)</sup>	<b>5.4%</b>	6.0%
<b>Loss ratio</b> <sup>(5)</sup>	<b>3.8%</b>	48.2%
Net charge of impairment allowance on loans receivable	<b>2,543</b>	69,131
Interest income	<b>66,456</b>	143,540

*Notes:*

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

Our non-performing loans receivable decreased from RMB86.9 million as of 31 December 2020 to RMB83.3 million as of 30 June 2021. Our non-performing loan ratio decreased from 9.9% as of 31 December 2020 to 8.7% as of 30 June 2021. Such decreases were primarily because we collected the non-performing loans of RMB4.0 million during the Reporting Period.

### ***Our Finance Leasing Business***

#### *Finance Lease Receivables by Security*

The following table sets forth our finance lease receivables by security as of the date indicated:

	As of 30 June 2021		As of 31 December 2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Collateral-backed leases:</b>				
— with guarantee	3,041	67.3	7,033	62.7
— without guarantee	<u>1,477</u>	<u>32.7</u>	<u>4,177</u>	<u>37.3</u>
<b>Total</b>	<u><u>4,518</u></u>	<u><u>100.0</u></u>	<u><u>11,210</u></u>	<u><u>100.0</u></u>

#### *Gross and Net Amounts of Lease Receivables*

The following table sets forth the expected gross and net amounts of lease receivables as of the date indicated:

	As of 30 June 2021 <i>RMB'000</i>	As of 31 December 2020 <i>RMB'000</i>
<b>Lease receivables</b>	<b>4,518</b>	11,210
— Due within one year	4,305	10,389
— Due in one year to two years	120	821
— Due in two years to three years	93	—
<b>Net lease receivables</b>	<b>4,215</b>	10,475
— Due within one year	4,047	9,697
— Due in one year to two years	82	778
— Due in two years to three years	86	—

We categorize our lease receivables according to the “Five-Tier Principle”. As of 30 June 2021, the past due lease receivables were categorized as “substandard”, and the remaining lease receivables were categorized as “normal”.

Our lease receivables and net lease receivables decreased from RMB11.2 million and RMB10.5 million as of 31 December 2020 to RMB4.5 million and RMB4.2 million as of 30 June 2021, mainly because the repayments of the previously financial leases have been gradually received.

### ***Compliance with Key Regulatory Requirements***

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2021:

#### **Key requirements**

The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.

The debt to net capital ratio of a microfinance company in Quanzhou city is capped at 100%.

The Provision on Issues Concerning Applicable Legal Norms for the Court’s Trial of Lending Cases (Amended in December 2020) (最高人民法院關於審理民間借貸案件適用法律若干問題的規定 (2020年12月修訂)) (the “**2020 Judicial Interpretation**”) promulgated by the Supreme People’s Court (最高人民法院) on 29 December 2020 which became effective on 1 January 2021 provide that: (i) the interest on a loan accruing from the effective date of the loan agreement to 20 August 2020 calculated pursuant to the then judicial interpretation; and (ii) the interest on a loan accruing from 19 August 2020 calculated pursuant to the 2020 Judicial Interpretation, shall be supported by the court if the loan agreement took effect before 20 August 2020 and the lending case in relation to such loan agreement accepted by the court after 20 August 2020.

#### **Compliance status**

Our Group complied with such requirement for the six months ended 30 June 2021.

Our Group complied with such requirement for the six months ended 30 June 2021.

Our Group complied with such applicable requirement for the six months ended 30 June 2021.

## **Key requirements**

A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.

The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 10% of the net capital of such microfinance company.

The ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70%.

Risk assets of a finance leasing company shall not exceed eight times of its total net assets.

## **Compliance status**

Our Group complied with such requirement for the six months ended 30 June 2021.

Our Group complied with such requirement for the six months ended 30 June 2021.

Our Group complied with such requirement for the six months ended 30 June 2021.

Our Group complied with such requirement for the six months ended 30 June 2021.

## Financial Overview

### *Interest Income, Net*

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

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Interest income on:</b>		
Loans receivable	<b>66,456</b>	67,529
Finance lease receivables	<b>438</b>	1,739
<b>Interest expense on:</b>		
Bank loans	<b>(595)</b>	(1,469)
Lease liabilities	<b>(29)</b>	(43)
<b>Interest income, net</b>	<b><u>66,270</u></b>	<b><u>67,756</u></b>

### *Interest Income*

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



The following table sets forth the average balance of our outstanding performing loans and finance leases and corresponding average effective interests rate per annum for the periods indicated:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
<b>Average balance:</b>		
— outstanding performing loans <sup>(1)</sup> (RMB'000)	<b>699,593</b>	890,269
— interest-generating finance lease receivables (RMB'000)	<b>6,819</b>	30,700
<b>Average effective interest rate per annum:</b>		
— performing loans <sup>(2)</sup>	<b>14.92%</b>	14.09%
— interest-generating finance lease receivables <sup>(3)</sup>	<b>12.84%</b>	11.33%

*Notes:*

- (1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the period indicated.
- (2) Calculated by dividing the interest income for the period by the average balance of outstanding performing loans for the period multiplied by two.
- (3) Calculated by dividing the interest income derived from our interest-generating finance lease receivables for the period by the average balance of our finance lease receivables not impaired for the period multiplied by two.

Our loan business and finance leasing business are primarily funded by our share capital as well as our bank borrowings. Our interest income decreased by 3.5% from RMB69.3 million for the six months ended 30 June 2020 to RMB66.9 million for the six months ended 30 June 2021. The average balance of our outstanding performing loans decreased by 21.4% from RMB890.3 million for the six months ended 30 June 2020 to RMB699.6 million for the six months ended 30 June 2021. Such decreases were primarily because of the combined effective of the gradually decrease in our loan size to against the increasing credit risk of the market since 2020 and the adjustment of our loan size since May 2021 as the economic recovery from pandemic. The average balance of our finance lease receivables decreased from RMB30.7 million for the six months ended 30 June 2020 to RMB6.8 million for the six months ended 30 June 2021 mainly because we decided to cease the finance leasing business gradually. For the six months ended 30 June 2020 and 2021, our average effective interest rate per annum on our performing loans increased from 14.1% to 14.9%. Such increase was primarily due to the increase in interest rate of new loans we granted during the Reporting Period.

### *Interest Expense*

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
Average balance of bank borrowings <sup>(1)</sup> (RMB'000)	<b>25,167</b>	57,667
Effective interest rate per annum <sup>(2)</sup>	<b>4.73%</b>	5.09%

#### *Notes:*

- (1) Calculated as the average balance of our bank borrowings at the end of each month for the period indicated.
- (2) Calculated by dividing the interest expense for the period by the average balance of bank borrowings for the period multiplied by two.

Our average balance of bank borrowings decreased from RMB57.7 million as of 30 June 2020 to RMB25.2 million as of 30 June 2021, which was generally in line with our business development.

### ***Net Charge of Impairment Allowance on Loans and Accounts Receivable***

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

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

Our net charge of impairment allowance on loans and accounts receivable for the six months ended 30 June 2020 and 2021 were RMB45.2 million and RMB2.4 million, respectively. Such decrease was primarily due to (i) the decrease in provision of loans as a result of the decline of credit risk of the market; and (ii) the collection of previous impaired loans resulting in the reversal of provisions.

### *Operating and Administrative Expenses*

Our operating and administrative expenses mainly include tax and surcharges, staff costs, service fees, depreciation and amortization expenses and others. The table below sets forth the components of our operating and administrative expenses by nature for the periods indicated:

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
Tax and surcharges	571	402
Staff costs:		
Salaries, bonuses and allowances	6,693	5,860
Other social welfare	1,076	701
Service fees	995	1,439
Depreciation and amortization	1,135	2,565
Others	1,446	1,708
<b>Total operating and administrative expenses</b>	<b>11,916</b>	<b>12,675</b>

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fees, accounting for 3.2% and 4.8% of our operating and administrative expenses for the six months ended 30 June 2020 and 2021, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 51.8% and 65.2% of our operating and administrative expenses for the six months ended 30 June 2020 and 2021, respectively.

Our operating and administrative expenses decreased from RMB12.7 million for the six months ended 30 June 2020 to RMB11.9 million for the six months ended 30 June 2021 mainly because of (i) the decrease in depreciation of right-in-use assets; and (ii) the decrease in amortisation of intangible assets.

### *Net Gains of Financial Assets*

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
Dividend and other income	4,607	2,094
Net realized gains	8,198	1,207
Unrealized (losses)/gains	(7,871)	294
<b>Total operating and administrative expenses</b>	<b>4,934</b>	<b>3,596</b>

Our net gains of financial assets increased from RMB3.6 million for the six months ended 30 June 2020 to RMB4.9 million for the six months ended 30 June 2021 mainly due to (i) the dividend income of RMB4.6 million; (ii) the income from disposal of financial assets of RMB8.2 million; and (iii) the unrealised losses on financial assets held at fair value of RMB7.9 million.

### ***Other Income and Gains, Net***

Our net other income and gains consists of interest from bank deposits, government grants, loss on disposal of items of property and equipment and other gains. Our net other income and gains decreased from RMB1.3 million for the six months ended 30 June 2020 to RMB0.3 million for the six months ended 30 June 2021 mainly due to (i) the decrease in government grants of RMB0.5 million; and (ii) the decrease in other income of RMB0.5 million.

### ***Income Tax Expense***

During the six months ended 30 June 2020 and 2021, we were subject to the general tax rate of 25% pursuant to the Enterprise Income Tax Law (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and became effective as from the same day. Our income tax expense for the six months ended 30 June 2020 and 2021 was RMB3.6 million and RMB13.8 million, respectively, and our effective tax rate remained at 24.1% for the same period, respectively. Such increase was primarily because of the increase in profit before tax.

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

### ***Net Profit and Total Comprehensive Income for the Period***

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB11.4 million and RMB43.4 million for the six months ended 30 June 2020 and 2021, respectively. The profit attributable to owners of the parent company for the same period was RMB6.5 million and RMB32.7 million, respectively.

### ***Liquidity and Capital Resources***

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

Our gearing ratio which presented the percentage of our net debt divided by the aggregate of our capital and net debt, was 1.7% as of 31 December 2020 and -7.5% as of 30 June 2021.

## Cash Flows

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

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
Net cash flows from operating activities	94,540	54,813
Net cash flows from/(used in) investing activities	871	(7,108)
Net cash flows used in financing activities	(30,952)	(40,850)
Net increase in cash and cash equivalents	64,459	6,855
Cash and cash equivalents at the beginning of the period	<u>19,686</u>	<u>36,119</u>
Effect of foreign exchange rate changes, net	<u>(64)</u>	<u>126</u>
Cash and cash equivalents at the end of the period	<u><b>84,081</b></u>	<u><b>43,100</b></u>

### Net Cash Flows From Operating Activities

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

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

Net cash flows from operating activities for the six months ended 30 June 2021 was RMB94.5 million. Net cash flows generated from operating activities before working capital adjustment was RMB48.9 million. Cash outflows arising from changes in working capital primarily consisted of: (i) the increase in loan size resulting in the increase in loans and accounts receivable of RMB62.0 million; and (ii) the decrease in other liabilities of RMB9.5 million. Cash inflows primarily consisted of: (i) the decrease in financial assets at fair value through profit or loss of RMB95.8 million; (ii) the decrease in the repayment of mature securities purchased under agreements to re-sell of RMB3.8 million; and (iii) the decrease in other assets of RMB28.8 million.

### *Net Cash Flows From Investing Activities*

For the six months ended 30 June 2021, our net cash flows from investing activities was RMB0.9 million, which was primarily consisted of the disposal of items of long-term assets.

### *Net Cash Flows Used in Financing Activities*

For the six months ended 30 June 2021, our net cash flows used in financing activities was RMB31.0 million which consisted of: (i) payment of interests on bank borrowing of RMB0.6 million; (ii) the net repayment of bank borrowings of RMB30.0 million; and (iii) the lease payments of RMB0.3 million.

### ***Cash Management***

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2020 and 30 June 2021, the total cash and cash equivalents amounted to RMB19.7 million and RMB84.1 million, respectively, which we consider to be adequate based on our actual working capital needs.

### ***Selected Items of the Statements of Financial Position***

#### *Cash and Cash Equivalents*

Cash and cash equivalents primarily consist of our cash on hand and cash at banks. As of 31 December 2020 and 30 June 2021, we had cash and cash equivalents of RMB31.9 million and RMB96.3 million, respectively. Such increase in our cash and cash equivalents was primarily due to the redemption of wealth management products.

#### *Loans and Accounts Receivable*

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

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

	<b>As of 30 June 2021 RMB'000</b>	As of 31 December 2020 RMB'000
Net lease receivables	4,215	10,475
Loans receivable	<u>953,020</u>	<u>876,020</u>
<b>Total loans and accounts receivable</b>	<b><u>957,235</u></b>	<b><u>886,495</u></b>
Less: Allowance for impairment losses		
— Individual assessed	(34,826)	(34,957)
— Collective assessed	<u>(16,660)</u>	<u>(18,002)</u>
<b>Total allowance for impairment losses</b>	<b><u>(51,486)</u></b>	<b><u>(52,959)</u></b>
<b>Net loans and accounts receivable</b>	<b><u>905,749</u></b>	<b><u>833,536</u></b>

Our net loans and accounts receivable increased from RMB833.5 million as of 31 December 2020 to RMB905.8 million as of 30 June 2021 primarily because we adjusted our strategy of our loan size since May 2021 due to the economic recovery from pandemic.

As of 30 June 2021, our maturity profiles within one year and over one year accounted for 95.2% and 4.8% of the total loans receivable, respectively. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	<b>As of 30 June 2021</b>		As of 31 December 2020	
	<b>RMB'000</b>	<b>%</b>	RMB'000	%
Past due	123,916	13.0	71,042	8.1
Due within three months	233,330	24.5	206,168	23.5
Due between three months and six months	91,948	9.6	255,162	29.1
Due between six months and one year	458,278	48.1	252,335	28.8
Due over one year	<u>45,548</u>	<u>4.8</u>	<u>91,313</u>	<u>10.5</u>
<b>Total</b>	<b><u>953,020</u></b>	<b><u>100.0</u></b>	<b><u>876,020</u></b>	<b><u>100.0</u></b>

### *Goodwill*

Our goodwill remained as RMB14.7 million as of 31 December 2020 and 30 June 2021.

### *Other Intangible Assets*

Other intangible assets decreased from RMB1.2 million as of 31 December 2020 to RMB0.7 million as of 30 June 2021, mainly due to the increase in amortisation of intangible assets.

### *Deferred Tax Assets*

The deferred tax assets increased from RMB10.8 million as of 31 December 2020 to RMB12.2 million as of 30 June 2021, mainly due to the increase in deductible temporary differences arising from impairment allowance on loans.

### *Other Assets*

Our other assets decreased from RMB42.8 million as of 31 December 2020 to RMB12.0 million as of 30 June 2021 primarily due to the settlement of deposit payment. The following table sets forth a breakdown of our other assets as of the dates indicated:

	<b>As of 30 June 2021 RMB'000</b>	<b>As of 31 December 2020 RMB'000</b>
Reposessed assets	<b>9,031</b>	10,506
Prepaid tax	<b>437</b>	1,243
Deposit payments	<b>—</b>	30,000
Other receivables	<b>1,136</b>	605
Deferred and prepaid expenses	<b>1,347</b>	438
<b>Total other assets</b>	<b><u>11,951</u></b>	<b><u>42,792</u></b>

### *Other Payables*

Our other payables mainly include value-added tax and surcharges payable, payrolls payable, deposits, dividend payable and others. As of 31 December 2020 and 30 June 2021, our other payables were RMB21.1 million and RMB45.7 million, respectively. Such increase was primarily due to (i) the increase in dividend payable of RMB34.0 million; and (ii) the decrease in deposits of RMB8.5 million.



## *Indebtedness*

### *Interest-bearing Bank Borrowings*

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

	<b>As of 30 June 2021 RMB'000</b>	<b>As of December 2020 RMB'000</b>
<b>Guaranteed bank loans:</b>		
— repayable within one year	<u>20,023</u>	<u>50,067</u>
<b>Total</b>	<u><u>20,023</u></u>	<u><u>50,067</u></u>

### *Lease liabilities*

Our lease liabilities remained as RMB0.2 million as of 31 December 2020 and 30 June 2021.

### *Contingent Liabilities*

As of 30 June 2021, we were subject to one pending civil proceeding as one of the defendants in relation to the shareholder's obligation of capital contribution with an amount of approximately RMB12.0 million to the Company. As the date of this announcement, no hearing has been held. The Directors, based on the advice from PRC legal adviser, believe that no provisions were needed and this proceeding would not have any material adverse effect on our business, financial position or results of operations.

### *Capital Expenditures*

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

	<b>For the six months ended 30 June</b>	
	<b>2021 RMB'000</b>	<b>2020 RMB'000</b>
<b>Capital expenditures</b>	<u><u>491</u></u>	<u><u>7,867</u></u>

## ***Commitment and Contractual Obligations***

### ***Capital Commitments***

Our capital commitment, which was contracted but not provided for in the financial statements, was in respect of a software and leasehold improvements during the Reporting Period. Our capital commitment was RMB883,248 and RMB2,187,398 as of 31 December 2020 and 30 June 2021 respectively.

### **Foreign Currency Exposure**

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from mainland China for the six months ended 30 June 2021.

### **Off-balance Sheet Arrangements**

As of 30 June 2021, we did not have any off-balance sheet arrangements.

## **MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS**

There were no material investments or acquisitions and disposals by our Group for the year ended 30 June 2021.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING**

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

Save as disclosed above, our Group had no future plans for material investments or external financing as of 30 June 2021.

## **CHARGE ON OUR GROUP'S ASSETS**

As of 30 June 2021, we did not have any charges on our Group's assets.

## **EMPLOYMENT AND EMOLUMENTS**

As of 30 June 2021, our Group had 68 employees, all of whom were based in Fujian province, the PRC. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

## CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As of 30 June 2021, our Group did not involve in any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## PROSPECTS

In 2021, our business and risk management remained stable as the outbreak of Covid-19 was effectively controlled and the economic situation was improved.

During this year, we further improved our information system and have now obtained online approval on projects in respect of computer terminal and mobile phone terminal. In addition, we have made use of our spare time to keep organizing internal training and external learning and exchanges with a view to improve the professionalism of sales personnel.

On 3 June 2021, the Finance Office of Quanzhou (泉州市金融辦公室) issued the “Opinions of Finance Office of Quanzhou on Promoting the Sustainable and Healthy Development of Microfinance Companies” (《泉州市金融辦公室關於促進小額貸款公司持續健康發展的若干意見》), which proposed a series of measures that propel the development of microfinance companies. For instance, it enables microfinance companies to enjoy the same treatment as other financial institutions in terms of judicial protection, registration of mortgage or pledge of property rights such as real estate, land, vehicles and ships, as well as strengthens the supervision over the microfinance industry for the purpose of creating a favorable environment for development. The opinion also offers policy support that favors the development of the Company.

Leveraging favorable internal and external conditions, we are endeavored to grow and provide better services for customers with a view to materialize the value of the Company.

## CORPORATE GOVERNANCE

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

## UPDATES ON DIRECTORS’ AND SUPERVISORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and supervisors of the Company since the date of the Board meeting approving the 2020 annual report up to the date of this announcement are as below:

- Ms. Hong Lijun resigned as the employee representative supervisor of the Company and ceased to be the chairperson of the supervisory committee of the Company on 11 June 2021; and

- Mr. Wang Shijie appointed as an employee representative supervisor and the chairperson of the supervisory committee of the Company on 11 June 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct for carrying out securities transactions of the Company by the Directors and supervisors of the Company. After specific enquiry with all Directors and Supervisors, they have confirmed fully compliance with the relevant standards stipulated in the Model Code during the Reporting Period.

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

Our Group has not purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2021.

## **INTERIM DIVIDEND**

The Board does not recommend any interim dividend for the six months ended 30 June 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in the note 31 to the interim condensed consolidated financial information in this announcement, no significant event after the Reporting Period needs to be disclosed.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by our Group, auditing, internal controls and financial report matters, and our Group’s policies and practices on corporate governance. The Interim Results has been reviewed by the Audit Committee and the Company’s auditor, Ernst & Young. There is no disagreement by the Company’s auditor or Audit Committee with the accounting treatment adopted by the Company.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The Interim Results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qzhuixin.net](http://www.qzhuixin.net)). The interim report for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and available on the above websites in due course.

## **TERMINATION OF ISSUE OF ASSET-BACKED SECURITIES**

Reference is made to the announcement of the Company dated 3 April 2019, the circular of the Company dated 24 April 2019 (including the notice of annual general meeting held on 12 June 2019 contained therein) in relation to the proposed issue of asset-backed securities in the PRC (the “**ABS**”), the poll results announcement of the Company dated 12 June 2019 and the 2019 annual report of the Company dated 23 April 2020.

As the interest rate after consulting with the professional institution with reference to the market condition is high and no ABS have been issued as of the date of this announcement, the Board hereby announces that the Company decided not to proceed with the issue of the ABS after due and careful consideration. The Board considers that the termination of the proposed issue of the ABS will not have any material adverse impact on the business operations or financial position of the Company.

By order of the Board  
**Quanzhou Huixin Micro-credit Co., Ltd.\***  
**WU Zhirui**  
*Chairman*

Hong Kong, 20 August 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. WU Zhirui, Mr. ZHOU Yongwei, Mr. YAN Zhijiang and Ms. LIU Aiqin; the non-executive Directors are Mr. JIANG Haiying and Mr. CAI Rongjun; and the independent non-executive Directors are Mr. SUN Leland Li Hsun, Mr. ZHANG Lihe and Mr. LIN Jianguo.*

\* *For identification purpose only*