



CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1290

INTERIM REPORT 2022

中国汇融



WE ARE COMMITTED TO BEING A LEADING COMPREHENSIVE FINANCING SERVICE PROVIDER IN CHINA.

We are dedicated to providing diversified financial services such as pawnshop, micro-finance, commercial factoring, art investment, turnover loan fund, equity investment and special asset investment to our customers.

Our business currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Hong Kong and Changsha, and is striving to become a leading service provider of inclusive finance and ecology finance in the PRC.



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BOARD OF DIRECTORS

Executive Directors

Mr. Wu Min (*Chairman*)
Mr. Qiu Wei (*Chief Executive Officer*)¹
Mr. Zhang Changsong (*Chief Financial Officer*)
Mr. Yao Wenjun (*Vice President*)¹

Non-executive Directors

Mr. Zhuo You²
Mr. Zhang Cheng²
Ms. Zhang Shu
Mr. Ling Xiaoming

Independent Non-executive Directors

Mr. Liang Jianhong
Mr. Feng Ke
Mr. Tse Yat Hong

COMMITTEE COMPOSITION

Audit Committee

Mr. Tse Yat Hong (*Chairman*)
Mr. Feng Ke
Ms. Zhang Shu

Remuneration Committee

Mr. Liang Jianhong (*Chairman*)
Mr. Tse Yat Hong
Mr. Wu Min

Nomination Committee

Mr. Wu Min (*Chairman*)
Mr. Feng Ke
Mr. Liang Jianhong

JOINT COMPANY SECRETARIES

Mr. Chai Kun
Ms. Leung Ching Ching³
Ms. Kam Mei Ha Wendy⁴

AUTHORISED REPRESENTATIVES

Mr. Wu Min
Ms. Leung Ching Ching³
Ms. Kam Mei Ha Wendy⁴

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23/F, No. 238
Des Voeux Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

9th Floor, Building A, No. 288 Yingchun Road
Wuzhong District, Suzhou
Jiangsu Province, the PRC

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

1. Mr. Qiu Wei and Mr. Yao Wenjun have been appointed as executive Directors of the Company with effect from 26 May 2022.
2. Mr. Zhang Cheng and Mr. Zhuo You have retired as non-executive Directors of the Company with effect from the conclusion of the annual general meeting held on 26 May 2022.
3. Ms. Leung Ching Ching has resigned as a joint company secretary and an authorised representative of the Company with effect from 26 August 2022.
4. Ms. Kam Mei Ha Wendy has been appointed as a joint company secretary and an authorised representative of the Company with effect from 26 August 2022.

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKS

Jiangsu Bank, Suzhou Branch
Suzhou Bank, Suzhou Branch

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

Mayer Brown
Haiwen & Partners

COMPANY'S WEBSITE

www.cnhuirong.com

STOCK CODE

The shares of the Company are listed on the Main Board of Stock Exchange

01290

FINANCIAL SUMMARY

	Six Months Ended 30 June		
	2022 RMB'000	2021 RMB'000	Change %
Operating Results			
Operating income	305,419	134,754	127%
Operating expenses	191,717	14,509	1,221%
Profit attributable to owners of the Company	18,149	14,776	23%
Basic earnings per share (RMB Yuan)	0.017	0.014	21%
	As at		
	30 June 2022 RMB'000	31 December 2021 RMB'000	Change %
Financial Position			
Total assets	2,846,077	2,836,195	0%
Loans to customers	1,929,962	1,815,077	6%
Cash at bank and cash on hand	374,228	483,347	-23%
Net assets	2,075,674	2,093,734	-1%

With the goal of achieving nationwide business coverage, the Company has fully leveraged its status as a listed company in Hong Kong and its access to the international capital markets and implemented the dual strategy of “inclusive finance plus ecology finance”, striving to offer comprehensive financial services to small and medium enterprises (“SMEs”) and individual clients alike as well as offer quality and safe financial assets to investors and financial institutions. As our brand has been well recognized by the public with our stable asset quality and our continuously improved profitability, we have gradually developed into a company that offers comprehensive finance services.

During the Reporting Period, the Company insisted on its business strategy of “keeping in mind one center, advancing with two wheels, exploring three fields, focusing on four requirements and enhancing five capabilities”. Focusing on value creation, the Company comprehensively improved the level of refined management and carried out brand promotion work in an orderly manner. The Company insisted on the dual strategy of “inclusive finance plus ecology finance”, and ensured that traditional and innovative businesses go hand in hand to lay a solid foundation for development and stimulate innovation. The Company continued to promote the exploration of new businesses, including the formation of financial consulting business team, the negotiation of financial leasing business partners, and the market research of art auction business. During the Reporting Period, the Board and the management of the Company also strived to “manage the surplus in hand, provide a platform for a convenient life, solve temporary problems, and cheer up small enterprises”, to which the Company deployed specific implementation measures. The Company also insisted on encouraging all management and employees to enhance learning ability, professional ability, coordination ability, executive ability and ability to work under pressure.

1. BUSINESS REVIEW AND DEVELOPMENT

1.1 Inclusive Finance Business Division

The Inclusive Finance Business Division conducts its business through platforms such as Wuzhong Pawnshop, Changsha Pawnshop, Dongshan Micro-finance, Huifang Rongtong and Nanjing Yiling. The division conducts pawnshop business, micro-finance business, turnover loan fund business, art investment business and luxury sales business by adhering to the concept of small-sums and dispersed inclusive finance. Major products under this division include secured loans (including real estate backed loans and personal property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and other unsecured loans), which focus on solving short-term liquidity needs of SMEs and individuals. The business of Inclusive Finance Business Division currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Hong Kong and Changsha, and is striving to become a leading service provider of inclusive finance in the PRC.

(a) Pawnshop Business

The following table sets out the details of total transaction amount, number and income of loans granted as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total transaction number of new secured loans		
Total transaction number of new real estate backed loans	342	447
Total transaction number of new personal property backed loans	1,140	1,478
Total transaction amount of new secured loans (RMB million)		
Total transaction amount of new real estate backed loans	205	396
Total transaction amount of new personal property backed loans	58	33
Balance of secured loans at the end of the Reporting Period (principal) (RMB million)		
Balance of real estate backed loans at the end of the Reporting Period (principal)	687	870
Balance of personal property backed loans at the end of the Reporting Period (principal)	79	47
Interest income of secured loans (RMB thousand)		
Interest income of real estate backed loans	25,172	27,729
Interest income of personal property backed loans	6,802	5,496
Total transaction number of new unsecured loans	25	22
Total transaction amount of new unsecured loans (RMB million)	401	328
Balance of unsecured loans at the end of the Reporting Period (principal) (RMB million)	375	370
Interest income of unsecured loans (RMB thousand)	11,997	21,206

The pawnshop business mainly relies on Wuzhong Pawnshop and Changsha Pawnshop as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is an indirect wholly-owned subsidiary of the Company by virtue of Contractual Arrangements. Wuzhong Pawnshop is the largest pawnshop in Mainland China. Changsha Pawnshop, established in 2021 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company.

The pawnshop business primarily engages in secured loan and unsecured loan businesses. Secured loans business mainly includes real estate backed loans and personal property backed loans.



① Real Estate Backed Loans

Real estate backed loans primarily provide personal or corporate financing services to customers who have obtained real estate certificates and are characterized by low risks and low turnover rates. Business risks are comprehensively assessed based on customer credit status, real estate value, customer industry analysis and solvency, etc. The loan amount does not exceed 80% of the total evaluation price. The interest rates range from 8% to 24% per annum and the loan term is no longer than 1 year. The operation area is mainly in core urban areas of Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha and other cities in the PRC. The target customers are mainly distributed in beverage, retail, trade and other industries. As of 30 June 2022, the total number of customers was 517, and the five largest customers contributed, in aggregate, 43.71% of the balance of real estate backed loans at the end of the Reporting Period (principal). As one of the core products of the Inclusive Finance Business Division, secured loans have high-quality customer resources and have maintained a sound and steady trend of development.

As of 30 June 2022, the balance at the end of the Reporting Period (principal) and the interest income of real estate backed loans granted by the Company were RMB687 million and RMB25,172 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The main reason is the loose monetary policy implemented by the country, the lower credit threshold of commercial banks, and the intensification of market competition, which affects the customer acquisition.

The main risks and uncertainties faced by the real estate backed loans include real estate valuation risk, real estate value fluctuation risk, regulatory policy change risk, credit policy change risk, liquidity risk, credit risk, etc.

For the first half of 2022, the Company focused on enriching business categories, flexibly adjusting its business model and actively seeking a multi-product business route of the real estate backed loans that meet the development requirements. Affected by the pandemic situation in the first half of 2022, inter-provincial business trips were restricted, and the nationwide expansion plan of the pawnshop was postponed. The development direction of the real estate backed loans in the future is to continue to implement its national expansion strategy by establishing one or two pawnshops in provincial capital cities per year and expanding its business to 10 to 12 cities by 2025.

② Personal Property Backed Loans

The personal property backed loans mainly provide fast personal property backed financing services for individuals, and the product categories cover artworks, gold, jewelry, works of art, diamonds, watches, luxury goods, etc. The loan amount does not exceed 95% of the total evaluation price. The interest rates and comprehensive rates range from 7.25% to 54% per annum and the loan term within 1 year. The operation area is mainly in core urban areas of Suzhou. The business in Chengdu, Wuhan, Hefei, Wuxi, Changsha and other cities is gradually expanding. The target customers are mainly distributed in manufacturing, agriculture, retail and other industries. As of 30 June 2022, the total number of customers was 724, and the five largest customers contributed, in aggregate, 65.35% of the balance of personal property backed loans at the end of the Reporting Period (principal).

As of 30 June 2022, the balance at the end of the Reporting Period (principal) and the interest income of personal property backed loans granted by the Company were RMB79 million and RMB6,802 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason is that the Company expanded artwork pawnshop business, which effectively meets the differentiated needs of customers.

The main risks and uncertainties faced by the personal property backed loans include collateral appraisal risk, collateral valuation risk, regulatory policy change risk, credit risk, etc.

For the first half of 2022, the personal property backed loans actively expanded the categories of personal properties and accelerated the expansion of the business area. The business has now expanded to Chengdu, Hefei, Wuxi, Changsha and other places in the PRC. The development direction of the personal property backed loans in the future is to adhere to a high-quality and sustainable business strategy, strengthen the level of digitization of stores, and improve customer satisfaction.

③ Unsecured loans

The unsecured loans mainly provide equity financing services for SMEs. Business risks are comprehensively assessed based on the company's operating conditions, financial analysis, industry development and debt repayment ability, etc. The loan amount does not exceed 50% of the total equity evaluation price. The interest rates range from 8% to 24% per annum and the loan term is 6 months. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, real estate, investment and other industries. As of 30 June 2022, the total number of customers was 21, and the five largest customers contributed, in aggregate, 49.1% of the balance of unsecured loans at the end of the Reporting Period (principal).

As of 30 June 2022, the balance at the end of the Reporting Period (principal) and the interest income of unsecured loans granted by the Company were RMB375 million and RMB11,997 thousand, respectively, representing a basic flat in balance and a significant decrease in interest income as compared with the corresponding period of last year. The reason is that the business operations of our customers were seriously affected by the pandemic situation, so the Company appropriately reduced the interest rate and the recoverability of the doubtful debts decreased.

The main risks and uncertainties faced by the unsecured loans include regulatory policy change risk, credit policy change risk, credit risk, etc.

For the first half of 2022, the Company paid attention to the actual business situation of the customers who were granted unsecured loans and supported customers to resume operation and production in the post-pandemic era. The development direction of the unsecured loans in the future is to form new strategic partnerships, prudently control the existing business balance, and seek a small-sums and dispersed transformation direction.

For the pawnshop business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and ensures implementation of the operational risk and non-performing loan accountability mechanism. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement overdue business in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.



(b) Micro-finance business

The following table sets out the details of total new loans secured by real estate, guaranteed loans and credit loans as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total number of new loans granted	111	89
Total amount of new loan granted (RMB million)	187	185
Balance at the end of the Reporting Period (principal) (RMB million)	349	362
Interest income (RMB thousand)	16,212	16,942

The micro-finance business mainly relies on Dongshan Micro-finance as the entity to carry out its business. Dongshan Micro-finance, established in 2012 with a registered capital of RMB300 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Suzhou Wuzhong District Dongshan Town Collective Assets Management Co., Ltd.* (蘇州市吳中區東山鎮集體資產經營公司) and other entities. The Company holds 70% of the equity interests of Dongshan Micro-finance. Dongshan Micro-finance is also one of the few micro-finance companies rated “AAA” in Jiangsu Province.

Dongshan Micro-finance primarily engages in providing small loans for “agriculture, rural areas and rural people” (“三農”) purposes and financial services such as finance guarantee. Loans mainly include secured loans, guaranteed loans and credit loans.

Business risks of secured loans are comprehensively assessed based on customer credit status, collateral value, industry analysis and cash flow, etc. The loan amount does not exceed 75% of the total evaluation price. The interest rates range from 9% to 18% per annum and the loan term ranges from 6 months to 12 months. As of 30 June 2022, the balance at the end of the Reporting Period (principal) of the secured loans is RMB136 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in agriculture, beverage, service and other industries. As of 30 June 2022, the total number of customers was 72, and the five largest customers contributed, in aggregate, 31.8% of the balance of secured loans at the end of the Reporting Period (principal).

Business risks of guaranteed loans are comprehensively assessed based on the company’s operating conditions, financial analysis, industry development, etc. The interest rates range from 12% to 18% per annum and the loan terms range from 3 months to 12 months. As of 30 June 2022, the balance at the end of the Reporting Period (principal) of the guaranteed loans is RMB90 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, trade, investment and other industries. As of 30 June 2022, the total number of customers was 34, and the five largest customers contributed, in aggregate, 41.9% of the balance of guaranteed loans at the end of the Reporting Period (principal).

MANAGEMENT DISCUSSION AND ANALYSIS

Business risks of credit loans are comprehensively assessed based on the individual's or company's credit status, operating conditions, asset conditions and solvency, etc. The interest rates range from 8% to 16% per annum and the loan term is 12 months. As of 30 June 2022, the balance at the end of the Reporting Period (principal) of the credit loans is RMB123 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in trade, gardening, investment and other industries. As of 30 June 2022, the total number of customers was 16, and the five largest customers contributed, in aggregate, 35.6% of the balance of credit loans at the end of the Reporting Period (principal).

As of 30 June 2022, the balance at the end of the Reporting Period (principal) and the interest income of micro-finance business were RMB349 million and RMB16,212 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The main reason was the decline in the average daily balance due to increased market competition, which resulted in a decline in interest income.

The main risks and uncertainties faced by the micro-finance business include real estate valuation risk, credit risk, regulatory policy change risk, credit policy change risk, etc.

For the first half of 2022, in order to actively enhance our brand awareness and influence, our Group strengthened the digitization of the micro-finance business and diversified external cooperation. The development direction of micro-finance business in the future is to intensify the service to technology-based and low-carbon SMEs and fulfill the social responsibility of inclusive finance to promote regional economic development on the basis of bringing stable dividends to shareholders.

For the micro-finance business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement overdue business in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(c) Turnover Loan Fund Business

The following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan fund business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total number of new loans granted	312	220
Total new loan amount granted (RMB million)	1,937	1,151
Balance at the end of the Reporting Period (principal) (RMB million)	13	60
Interest income (RMB thousand)	6,234	2,601



The turnover loan fund business mainly relies on Huifang Rongtong as the entity to carry out its business. Huifang Rongtong, established in 2017 with a registered capital of RMB75 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Suzhou Wuzhong Financial Holdings Group Limited* (蘇州市吳中金融控股有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province. The Company holds 80% of the equity interests of Huifang Rongtong. Such government-enterprise cooperation fund is scarce in Suzhou and even Jiangsu Province.

The turnover loan fund business serves as a bridge between banking institutions and SMEs. It focuses on serving SMEs and local government platforms with the needs of turnover loans. Business risks are comprehensively assessed based on the company's credit status, operating conditions, financial status and bank credit conditions, etc. The interest rates range from 14.8% to 18% per annum and the loan terms range from 3 days to 30 days. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, construction, trade and other industries. As of 30 June 2022, the total number of new loan customers granted was 274, and the five largest customers contributed, in aggregate, 15.9% of the total new loan amount granted.

As of 30 June 2022, the balance of turnover loan fund business at the end of the Reporting Period (principal) was RMB13 million, representing a significant decrease as compared with the corresponding period of last year. The main reason is that the turnover loan fund business has the characteristics of short loan terms and high turnover rate, and thus the balance fluctuates greatly. As of 30 June 2022, the interest income of turnover loan fund business was RMB6,234 thousand, representing a significant increase as compared with the corresponding period of last year. This was mainly due to the strong demand for turnover loan fund business, and the strategic cooperation between the Company and some banks has achieved remarkable results.

The main risks and uncertainties faced by the turnover loan fund business include regulatory policy change risk, credit risk, etc.

For the first half of 2022, the turnover loan fund business continued to take advantage of the opportunity of joining the Suzhou municipal-level turnover loan service platform to expand its brand influence and expand its market share. The development direction of turnover loan fund business in the future is to act as a bridge between banks and SMEs, actively mobilize resources from all parties and achieve full coverage of qualified SMEs with turnover loan needs in Suzhou Wuzhong District and even Suzhou under the guidance of the municipal-level turnover loan service platform.

For the turnover loan fund business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement overdue business in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(d) Art Investment Business

The following table sets out the operating information of the art investment business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total transaction number of new artworks	4	—
Total transaction amount of new artworks (RMB million)	54	—
Total amount of artworks trading stock at the end of the Reporting Period (RMB million)	131	—
Artworks business income (RMB thousand)	8,404	—

The art investment business mainly relies on Nanjing Yiling as the entity to carry out its business. Nanjing Yiling, established in 2021 with a registered capital of RMB55 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Nanjing Yili Culture Development Co., Ltd.* (南京藝力文化發展有限公司). The Company holds 55% of the equity interests of Nanjing Yiling. Nanjing Yiling conducts artwork investment, artwork custody, artwork disposal and other businesses.

The art investment business covers all categories of artworks, including Chinese modern painting and calligraphy, international contemporary painting and calligraphy, ancient antiques and sculptures. Its business covers the whole of Mainland China. The target customers are mainly major auction companies and well-known domestic collectors.

As of 30 June 2022, the total amount of artworks trading stock at the end of the Reporting Period and the artworks business income of art investment business were RMB131 million and RMB8,404 thousand, respectively, showing a good development trend.

The main risks and uncertainties faced by art investment business include regulatory policy change risk, artworks valuation risk, artworks transportation and storage risk, credit risk, liquidity risk, art market systemic risk, etc.

For the first half of 2022, the art investment business has cooperated with many well-known domestic auction houses, the business scale has rapidly expanded, and the profit contribution has gradually increased. The development direction of art investment business in the future is to strive to build a comprehensive system that serves the entire art industry, and develop Nanjing Yiling into a well-known comprehensive art service organization in the Mainland China, covering art investment, art appraisal and storage, art auction agency, art exhibition and other services.



(e) Luxury Sales Business

The following table sets out the operating information of the luxury sales business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total transaction number	175	34
Sales income (RMB thousand)	5,129	6,567

The luxury sales business mainly relies on Wuzhong Pawnshop as the entity to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements. Wuzhong Pawnshop is the largest pawnshop in Mainland China and the main sales platform of luxury sales business for enterprises.

With the help of the Company's popularity and business experience in the pawnshop industry and on the basis of the original sales of pawn products, the Company built some pawnshops into influential comprehensive luxury service platforms offering luxury pawn, maintenance, recycling and consignment services, integrating financial services and retail. The operation area is mainly in Suzhou. The target customers are mainly luxury retailers and individual consumers.

As of 30 June 2022, the total transaction number and the sales income of luxury goods were 175 and RMB5,129 thousand, respectively, representing an increase in total transaction number and a decrease in sales income as compared with the corresponding period of last year. The main reason is that the target customers of the luxury sales business has transformed from businesses to individual customers, and the business has therefore become characterized by small-sums and dispersed transactions.

The main risks and uncertainties faced by luxury sales business include regulatory policy change risk, luxury goods appraisal risk, liquidity risk, luxury market systemic risk, etc.

For the first half of 2022, the luxury goods sales business validated its business model and commenced renovation of the flagship store, which is expected to be put into operation in the second half of the year. The development direction of luxury sales business in the future is to conduct multi-dimensional integration of luxury goods and pawnshops and cooperate with foreign well-known vintage brands to create a luxury goods online-to-offline sales platform with the construction of regional live broadcast platform and online shopping mall platform.

1.2 Ecology Finance Business Division

The Ecology Finance Business Division conducts its business through platforms such as Huida Factoring, Huifang Supply Chain, Huifang Rongcui, Huifang Tongcui, Qingdao Wanchen and Sichuan Aomeishu, adhering to the innovation of finance concept. It attaches great importance to the internal and external resources to develop commercial factoring business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

(a) Commercial Factoring Business

The following table sets out the operating information of the commercial factoring business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total number of new transaction relating to account receivables assignment	8	5
Total amount of new transaction relating to account receivables assignment (RMB million)	66	27
Balance at the end of the Reporting Period (principal) (RMB million)	304	148
Interest income (RMB thousand)	14,435	7,628

The commercial factoring business mainly relies on Huida Factoring as the entity to carry out its business. Huida Factoring, established in 2016 with a registered capital of RMB170 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and three other state-owned and collective capital companies: Suzhou Wuzhong Gaoxin Entrepreneurship Service Co., Ltd.* (蘇州吳中高創業服務有限公司) (“Wuzhong Gaoxin”), Suzhou Dongfang Venture Investment Co., Ltd.* (蘇州東方創業投資有限公司) (“Dongfang Investment”) and Suzhou Wuzhong City Construction Investment Development Co.,Ltd.* (蘇州市吳中城市建設投資發展有限公司) (“Wuzhong Investment”). The Company holds 52.94% of the equity interests in Huida Factoring.

Huida Factoring is principally engaged in accepting assignment of account receivable from SMEs and installment of account receivables. Commercial factoring business evaluates business risks by comprehensively analyzing enterprise operation, financial situation, receivables and industry development factors based on customers’ credit status. The loan amount does not exceed 80% of the total amount of receivables. The interest rates range from 6.5% to 13% per annum and the loan term is within 5 years. The operation area is mainly in Suzhou. The target customers are mainly distributed in construction, manufacturing and other industries. As of 30 June 2022, the total number of customers was 15, and the five largest customers contributed, in aggregate, 59.81% of the balance at the end of the Reporting Period (principal).

As of 30 June 2022, the balance at the end of the Reporting Period (principal) and the interest income of Huida Factoring were RMB304 million and RMB14,435 thousand, respectively, representing a significant increase as compared with the corresponding period of last year. The main reason is the future expansion of the business scale after the increase of shareholder capital and the continuous advancement of bank financing.

MANAGEMENT DISCUSSION AND ANALYSIS

The main risks and uncertainties faced by commercial factoring business include credit risk, receivables, regulatory policy change risk, etc.

For the first half of 2022, the commercial factoring business was fully digitalized, the marketization process was further accelerated, the business scale expanded rapidly, and post-loan management was effectively improved. The development direction of commercial factoring business in the future is to attach importance to promoting financing in more dimensions, continue to expand the business scale, strengthen digital construction and build a rich and diversified product system.

For the commercial factoring business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement overdue business in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(b) Supply Chain Management Business

The following table sets out the operating information of the supply chain management business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total transaction number		
Total transaction number of grain and oil	109	3
Total transaction number of fresh produce	77	—
Total transaction number of liquor	55	53
Total transaction number of other goods	178	96
Sales income (RMB thousand)		
Sales income of grain and oil	125,571	7
Sales income of fresh produce	11,881	—
Sales income of liquor	926	411
Sales income of other goods	40,096	157

MANAGEMENT DISCUSSION AND ANALYSIS

The supply chain management business mainly relies on Huifang Supply Chain as the entity to carry out its business. Huifang Supply Chain, established in 2018 with a registered capital of RMB400 million, is an indirect wholly-owned subsidiary of the Company. It was committed to focus on new supply chain scenarios and develop supply chain agency procurement and agency sales business mainly for grain and oil, fresh produce, liquor, mobile terminal and other consumer goods fields. Currently, Huifang Supply Chain has cooperated with ZTE CORPORATION* (中興通訊股份有限公司), Yihai Kerry Arawana Holdings Co., Ltd* (益海嘉里金龍魚糧油食品股份有限公司), Luzhou Lao Jiao Co., Ltd* (瀘州老窖股份有限公司), New Hope Group Co., Ltd* (新希望集團有限公司) and many other well-established enterprises.

As of 30 June 2022, the total transaction number of supply chain management business and the sales income were 419 and RMB178,474 thousand, respectively, representing a significant increase as compared with the corresponding period of last year. The main reason is that the Company entered new scenarios such as grain and oil and fresh produce, and the business model has been recognized by customers and the scale of cooperation has been further expanded.

The main risks and uncertainties faced by supply chain management business include cargo transportation risk, cargo custody risk, customer default risk, etc.

For the first half of 2022, Huifang Supply Chain further expanded the types of goods such as fresh produce and mobile terminals in order to expand its business scale and serve more customers. The development direction of supply chain management business in the future is to deeply cultivate the field of consumer goods, build its own supply chain Software as a Service ("SaaS") platform, and expand more product categories.

(c) Equity Investment Business

The following table sets out the operating information of the equity investment business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total transaction number of new investment	1	—
Total transaction amount of new investment (RMB million)	9	—
Balance of investment at the end of the Reporting Period (RMB million)	24	—

The equity investment business mainly relies on Huifang Rongcui and Huifang Tongcui as entities to carry out its business. Huifang Rongcui, established in 2021 with a registered capital of RMB100 million, is an indirect non-wholly owned subsidiary of the Company. Huifang Tongcui, established in 2022 with a registered capital of RMB20 million, is an indirect non-wholly owned subsidiary of the Company. Aiming at creating a business pattern of coordinated development of creditor's rights and equity, the equity investment business cooperates with senior equity investment institutions based on national policy guidance. Investment areas mainly cover advanced manufacturing, semiconductor, new energy, biomedicine and other strategic emerging industries.

The main risks and uncertainties faced by equity investment business include the risk of business deterioration of the invested enterprise, the risk of regulatory policy changes, the systematic risk of financial market, contract risk, etc.



As of 30 June 2022, Huifang Rongcui cooperated with three senior equity investment institutions, intended investment being RMB40 million, with actual investment of RMB24 million. These include RMB10 million of planned investment in Suzhou Qianhui Xinli Venture Investment Partnership (LP)* (蘇州乾匯信立創業投資合夥企業(有限合夥)) (“Qianhui Xinli”) (fund management being Suzhou Qianhui Zhitou Investment Management Co., Ltd.* (蘇州乾匯智投資本管理有限公司) (“Qianhui Investment”)), with actual investment of RMB10 million; RMB10 million of planned investment in Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP)* (蘇州中鑫恆遠創業投資合夥企業(有限合夥)) (“Zhongxin Hengyuan”) (fund management being Suzhou Zhongxin Innovation Investment Management Co., Ltd.* (蘇州中鑫創新投資管理有限公司) (“Zhongxin Investment”)), with actual investment of RMB8 million; RMB20 million of planned investment in Suzhou Qianrong Yuanfeng Venture Capital Partnership (LP)* (蘇州乾融園豐創業投資合夥企業(有限合夥)) (“Qianrong Yuanfeng”) (fund management being Jiangsu Qianrong Capital Management Co., Ltd.* (江蘇乾融資本管理有限公司) (“Qianrong Investment”)), with actual investment of RMB6 million.

For the first half of 2022, Huifang Rongcui newly invested in Qianrong Yuanfeng, and reached a preliminary cooperation intention with equity investment institutions Suzhou Wuzhong Financial Holdings Investment Management Co., Ltd.* (蘇州市吳中金控股權投資管理有限公司) and Suzhou CSI Investment Management Co., Ltd.* (蘇州阿特斯投資管理有限公司). Huifang Tongcui has reached a cooperation intention with Qianhui Investment, and plans to set up an investment fund in a double general partners (“Double GP”) cooperation model. Huifang Tongcui will act as an executive partner to the investment fund, and Qianhui Investment will act as a manager to the investment fund. It is preliminarily targeted that the assets under management of the Investment Fund shall be approximately RMB200 million and shall be for an investment period of 7 years.

The development direction of equity investment business in the future is to further strengthen the cooperation with senior equity investment institutions, accelerate the implementation of the Double GP cooperation mode, participate in equity investment projects directly or indirectly, and build an equity investment platform with good development prospects and high investment return.

(d) Special Asset Investment Business

The following table sets out the operating information of the special asset investment business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total transaction number of new investment	2	2
Total transaction amount of new investment (RMB million)	16	10
Balance of investment at the end of the Reporting Period (RMB million)	32	10

The special asset investment business mainly relies on Qingdao Wanchen and Suzhou Cibe as entities to carry out its business. Qingdao Wanchen, established in 2019 with a registered capital of RMB10 million, is an indirect wholly-owned subsidiary of the Company. Suzhou Cibe, established in 2021 with a registered capital of RMB50 million, is a special asset investment fund established by the Company in cooperation with external asset management institutions. The Company holds 90% of the equity interests as a limit partner.

MANAGEMENT DISCUSSION AND ANALYSIS

Special asset investment business makes full use of the Company's industrial layout, team basis and institutional resources to carry out special asset acquisition, disposal and operation. Special asset investment business mainly targets potential special assets such as residential real estate, commercial real estate and industrial real estate, as well as unsecured credit debts.

As of 30 June 2022, the total transaction number of new investment and the balance of investment at the end of the Reporting Period were 2 and RMB32 million, respectively, representing a basic flat in transaction number and a significant increase in balance as compared with the corresponding period of last year. The main reason is that the investment target involves non-performing asset debt packages, and the disposal cycle is generally more than one year, resulting in the continuous increase of the balance of investment at the end of the Reporting Period. At present, the Company is proceeding in an orderly manner to dispose of the underlying debts.

The main risks and uncertainties faced by special asset investment business include asset valuation risk, liquidity risk, real estate value fluctuation risk, credit risk, etc.

For the first half of 2022, the special asset investment business continued to cooperate with state-owned asset management companies such as Jiangsu Asset Management Co., Ltd. and Suzhou Asset Management Co., Ltd., effectively established diversified and multi-channel asset disposal plans, and strengthened innovative cooperation structures. The development direction of special asset investment business in the future is to actively participate in the Jiangsu special asset transfer market, find the potential of stock and reserve projects, dispose of debts by means of bankruptcy and pre-restructuring, and build a deep cooperation network between the upstream asset, the middle capital and the downstream disposal.

(e) Insurance Brokerage Business

The following table sets out the operating information of the insurance brokerage business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total transaction number	174	298
Sales income (RMB thousand)	341	1,316

The insurance brokerage business mainly relies on Huifang Anda as the entity to carry out its business. Huifang Anda, established in 2004 with a registered capital of RMB2.4 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and state-owned capital Suzhou Wuzhong Financial Investment Service Co., Ltd* (蘇州市吳中金融招商服務有限公司) and other institutions. The Company holds 65% of the equity interests of Huifang Anda.

The insurance brokerage business actively integrates the resources of the government and insurance companies, with the purpose of credit, responsibility, professionalism and compliance with regulations, and with the business development direction of coinsurance, governments, state-funded platforms and foreign-funded enterprises. The scope of insurance agency covers property insurance, credit guarantee insurance, liability insurance, life insurance, etc.



As of 30 June 2022, the total transaction number and sales income of insurance brokerage business transactions were 174 and RMB341 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The main reason is that the coinsurance business declined significantly and the pandemic situation has adversely affected the marketing of the market-based business.

The main risks and uncertainties faced by insurance brokerage business include the risk of government policy changes, contract risks, etc.

For the first half of 2022, the insurance brokerage business actively sought new growth points for the coinsurance business, strengthened the expansion of the market agent business and achieved business cooperation with several foreign-funded enterprises and large enterprises. The development direction of insurance brokerage business in the future is to focus on property insurance, implement more coinsurance cooperation, introduce more agent teams, and strive to become a leading insurance agency in Suzhou and a well-known insurance agency in the province.

1.3 Headquarters and Others

As the incubator of the Company's innovative business, the headquarters has the function of cultivating innovative business of the Company through different stages. The overseas finance business is an attempt of the Company's global development and is currently under the direct management of the headquarters. The following table sets out the operating information of the overseas finance business as of 30 June 2022:

	For the six months ended 30 June	
	2022	2021
Total number of new loans granted	—	—
Total new loan amount granted (HK\$ million)	—	—
Balance at the end of the Reporting Period (principal) (HK\$ million)	26	26
Interest income (HK\$' thousand)	626	686

The overseas finance business mainly relies on Huifang Investment as the entity to carry out its business. Huifang Investment, established in 2011, is an indirect wholly-owned subsidiary of the Company and obtained a money lender's license in Hong Kong in January 2019 to develop diversified financial services.

The overseas finance business mainly involves guaranteed loans. Business risks of guaranteed loans are comprehensively assessed based on the company's operating conditions, financial analysis, industry development, etc. The interest rates range from 5.5% to 7% per annum and the loan terms range from 12 months to 24 months. The operation area is mainly in Hong Kong. The target customers are mainly local companies in Hong Kong. It mainly conducts business in cooperation with local licensed money lenders at present.

As of 30 June 2022, the balance at the end of the Reporting Period (principal) and the interest income of overseas finance business were HK\$26 million and HK\$626 thousand, respectively, representing a flat in balance and a decrease in interest income as compared with the corresponding period of last year. The main reason is that the Company appropriately reduced the interest rates for some customers to help them bail out under the pandemic situation.

The main risks and uncertainties faced by overseas finance business include the risk of changes in the international political and economic situation and the risk of exchange rate fluctuations, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2022, in view of the fact that the pandemic situation in Hong Kong and other overseas regions has not been effectively alleviated, and entry and exit have been greatly restricted, the expansion of overseas finance business was affected, resulting in no significant change in business performance during the Reporting Period. The development direction of overseas finance business in the future is to seek development opportunities in the fields of pawnshops and digital assets in more overseas countries and regions such as Macao and Singapore after the entry and exit policies are relaxed.

2. FINANCIAL REVIEW

2.1 Overall Financial Data

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Operating Results		
Operating income	305,419	134,754
Net operating income	73,650	68,816
Net assets	2,075,674	1,948,514
General and administrative expenses	34,514	31,395
Income tax expenses	12,399	12,083
Profit attributable to equity holders	18,149	14,776
Basic earnings per share (RMB Yuan)	0.017	0.014

As of 30 June 2022, the operating income amounted to RMB305,419 thousand, representing an increase as compared with the corresponding period of last year. The main reason is the significant increase of the revenue from Huifang Supply Chain. As of 30 June 2022, the profit attributable to equity holders amounted to RMB18,149 thousand, representing an increase as compared with the corresponding period of last year. The main reason is the decrease of credit impairment losses.

2.2 Financial Analysis on two Principal Business Divisions

2.2.1 Inclusive Finance Business Division

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Operating income	105,616	116,054
Operating cost	7,101	4,167
Other non-operating losses	(45,818)	(65,584)
Profit before tax	52,697	46,303

Guided by supporting the development of inclusive finance, the Inclusive Finance Division insists on upholding inheritance and innovation, pioneering and enterprising, and engages in pawnshop business, micro-finance business, turnover loan fund business, art investment business and luxury sales business.



As of 30 June 2022, the operating income amounted to RMB105,616 thousand, representing a decrease as compared with the corresponding period of last year. The main reason is the decrease in interest income from unsecured loans of the pawnshop business and the micro-finance business. As of 30 June 2022, the profit before tax amounted to RMB52,697 thousand, representing an increase as compared with the corresponding period of last year. This was mainly due to the decrease in credit impairment losses.

2.2.2 Ecology Finance Business Division

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Operating income	194,352	8,856
Operating cost	182,172	1,416
Other non-operating losses	(5,351)	(5,808)
Profit before tax	6,829	1,632

The Ecology Finance Business Division focuses on cultivating new business and integrating financial resources, so as to comply with industry trends and seek breakthroughs in performance. It engages in commercial factoring business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

As of 30 June 2022, the operating income amounted to RMB194,352 thousand, representing a significant increase as compared with the corresponding period of last year. The main reason is the significant increase in revenue generated from the supply chain management business and the commercial factoring business. As of 30 June 2022, the profit before tax amounted to RMB6,829 thousand, representing a significant increase as compared with the corresponding period of last year. The main reason is the increase in operating income attributed to the factors set out above.

2.2.3 Headquarters and Others

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Operating income	11,910	9,364
Operating cost	8,623	7,952
Other non-operating loss	(21,922)	(12,877)
Loss before tax	(18,635)	(11,465)

As the core of the Group's progress and development, the headquarters has undertaken the service functions of investment management, risk prevention and control, scientific and technological support, logistics support, etc. In recent years, it has been committed to lowering costs and increasing efficiency. In the future, it will continue to promote fine management to increase income and reduce expenditure.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2022, the operating income amounted to RMB11,910 thousand, representing an increase as compared with the corresponding period of last year. The main reason is the increase in consulting fee income from Huifang Tongda and Wuzhong Pawnshop. As of 30 June 2022, the loss before tax was RMB18,635 thousand, representing an increase as compared with the corresponding period of last year. The main reason is the increase in administrative expenses and the decrease in net investment losses.

3. CREDIT RISK

3.1 Loan Classification and Impairment Allowances

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 30 June 2022 ECL staging				As at 31 December 2021
	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000	Total RMB'000
Loans to customers					
Secured loans to customers (a)	593,717	33,533	834,796	1,462,046	1,398,366
Unsecured loans to customers (b)	937,641	5,768	202,585	1,145,994	1,061,192
Gross carrying amount	1,531,358	39,301	1,037,381	2,608,040	2,459,558
Loss allowances	(37,095)	(9,837)	(631,146)	(678,078)	(644,481)
Carrying amount	1,494,263	29,464	406,235	1,929,962	1,815,077



	As at 30 June 2022 ECL staging				As at 31 December 2021
	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000	Total RMB'000
Term deposits with banks					
Credit grade					
A to AAA	168,260	—	—	168,260	244,390
Lower than A	15,979	—	—	15,979	—
Gross carrying amount	184,239	—	—	184,239	244,390
Loss allowances	(164)	—	—	(164)	(164)
Carrying amount	184,075	—	—	184,075	244,226
Structured deposits with banks					
Credit grade					
A to AAA	50,530	—	—	50,530	61,295
Gross carrying amount	50,530	—	—	50,530	61,295
Other current assets (excluding repossessed assets)					
Gross carrying amount	18,872	—	1,890	20,762	14,246
Loss allowances	—	—	(1,106)	(1,106)	(951)
Carrying amount	18,872	—	784	19,656	13,295
Guarantee and commitment					
Financial guarantees exposure	15,750	—	—	15,750	46,950

- (a) Secured loans to customers comprise real estate backed loans and personal property backed loans.
- (b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and other unsecured loans.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group may suffer credit losses if its customers default on contractual obligations. Further details for the recognition of the impairment allowance (including the provision of loss allowance and the write-off) for the six months ended 30 June 2022 are set out below.

As at 30 June 2022, the impairment allowance for loans to customers granted by the Group was as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Secured loans to customers⁽¹⁾		
Stage 1 & 2	15,704	18,392
Stage 3	442,106	371,420
Subtotal	457,810	389,812
Unsecured loans to customers⁽²⁾		
Stage 1 & 2	31,228	25,862
Stage 3	189,040	228,807
Subtotal	220,268	254,669
ECL allowances, total	678,078	644,481
Stage 1 & 2	46,932	44,254
Stage 3	631,146	600,227

Notes:

- (1) Secured loans to customers mainly comprise real estate backed loans and personal property backed loans.
- (2) Unsecured loans to customers mainly comprise equity interest backed loans and guaranteed loans and other unsecured loans.

The impairment allowance was measured based on the expected credit losses ("ECL") model. Please refer to Notes 2.12, 3.1(a), 4.1(a) and 32 to the consolidated financial statements in the Company's 2021 Annual Report, and 30 to the consolidated financial statements in the Company's 2022 Interim Report for the major parameters, assumptions and judgments used in the model. As at 30 June 2022, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB678,078 thousand, representing approximately 26% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB33,597 thousand as compared to the end of last year.

For loans to customers in Stage 1 & 2, the impairment allowance was determined by projecting the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") for every six months and for each individual exposure or collective segment, based on historical data. The increase of the impairment allowance in Stage 1 & 2 during the Reporting Period was mainly due to:

- (i) a deterioration of part of customer's business conditions for epidemic or other reasons; and
- (ii) the increase of the gross carrying amount of loans to customers in Stage 1 & 2 during the Reporting Period as compared with the end of last year.



For impaired loans to customers in Stage 3, the impairment allowance was assessed by estimating the discounted future cash flows from the loans, and such assessment was re-performed for at least every six months.

For secured loans, the discounted cash flow was primarily dependant on the type of collaterals, their appraised value, and estimated time for disposal. The impairment allowance for secured loans increased during the Reporting Period, mainly due to:

- (i) a decline of collaterals' appraised value based on the latest selling records of similar assets in the market, or a forced sale of such collaterals at a price lower than previous estimate; and
- (ii) an extension of estimated time for disposal because of the epidemic or other external factors emerged during legal proceedings.

For unsecured loans, the discounted cash flow depended on the customer's financial and operating conditions, as well as their own properties preserved by the Group. The impairment allowance for unsecured loans increased during the Reporting Period, mainly due to the periodic fluctuations in customer's business conditions.

The Group also entered into supplementary repayment agreements with certain secured or unsecured loan customers in order to maximise its interests. The Group adjusted the impairment allowance according to implementation of such agreements.

During the Reporting Period, the Group didn't write off its impairment allowance on loans to customers. The write-off only occurred when the Group has exhausted all practical recovery efforts and its decision was made based on the evidence which shows it still cannot recover its obligatory right after liquidating the customers property and pursuing repayment from the guarantor:

- (i) external evidence such as property settlement certificates issued by courts, arbitration tribunals or relevant government authorities; and
- (ii) internal evidence such as property recovery certificates, settlement reports, and legal opinions issued by the Group's risk control department and internal lawyers.

3.2 New Loans under Legal Proceedings

	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
New Secured Loans		
Number of clients	33	16
Outstanding loans (RMB thousand)	59,130	13,080
New Unsecured Loans		
Number of clients	—	—
Outstanding loans (RMB thousand)	—	—

For the six months ended 30 June 2022, the balance of new secured loans under legal proceedings was RMB59,130 thousand and there is no new unsecured loans under legal proceedings. There is an increase of the balance of new secured loans under legal proceedings from the corresponding period of last year.

4. BORROWINGS

	30 June 2022 Unaudited	31 December 2021 Audited
Non-current		
Bank borrowings (a)	197,000	89,380
Current		
Bank borrowings (b)	446,536	506,280
	643,536	595,660

The Group's borrowings are all denominated in RMB.

- (a) As at 30 June 2022, non-current bank borrowing with principal amount of RMB197.0 million is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building. The borrowing is repaid in the scheduled instalments within 12 years and bears floating interest rate of the 5-year Loan Prime Rate plus 35 bps. The borrowing is secured by the Zhonghui Financial Building. (31 December 2021: non-current bank borrowing with principal amount of RMB89.4 million is borrowed specifically for the construction of Zhonghui Financial Building. The borrowing is repaid in a scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Wuzhong Group). As at 30 June 2022, there are no undrawn bank borrowing facilities (31 December 2021: the undrawn bank borrowing facilities are RMB4.1 million) (Note 25).
- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.5% to 5.5% per annum as at 30 June 2022(31 December 2021: fixed rate from 3.4% to 5.5%).

As at 30 June 2022, bank borrowings with principal amount of RMB175.3 million (31 December 2021: RMB222.0 million) are secured by restricted term deposits of RMB184.0 million (31 December 2021: RMB234.2 million) (Note 32).

As at 30 June 2022, bank borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) are secured by structured deposits of RMB49.5 million (31 December 2021: RMB59.5 million).

As at 30 June 2022, bank borrowings with principal amount of RMB90.1 million (31 December 2021: RMB120.2 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (Note 39(b)).

As at 30 June 2022, bank borrowings with principal amount of RMB40.0 million are guaranteed by Wuzhong Group (31 December 2021: nil) (Note 39(b)).

As at 30 June 2022, no bank borrowings are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. (31 December 2021: RMB30.0 million).

As at 30 June 2022, the gearing ratio of the Group was 17.98%. The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowing net of cash and cash equivalent. Total capital is calculated as “total equity” as shown in the interim condensed consolidated statement of financial position plus net debt. The Group’s strategy is to maintain a gearing ratio below 50% and to meet the compliance requirements of Wuzhong Pawnshop on aggregate amount of loans to customers at all times.

For the six months ended 30 June 2022, the Group did not use any financial instruments for hedging purposes.

5. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of property, plant and equipment, intangible assets and construction in progress. Our capital expenditure was RMB9,088 thousand for the six months ended 30 June 2022, as compared to RMB18,230 thousand for the corresponding period of last year.

6. EXPOSURE TO FOREIGN EXCHANGE RISK

For the six months ended 30 June 2022, the net foreign currency gains of the Group were RMB1,755 thousand, representing an increase as compared to the net foreign currency losses of RMB2,751 thousand for the corresponding period of last year. The Group is free from material foreign exchange risk and does not conduct any related hedging as it concludes deals in RMB.

7. PLEDGE OF ASSETS

As at 30 June 2022, land-use right of RMB197.0 million of the Group (31 December 2021: RMB89.4 million) is pledged with banks to secure borrowings.

As at 30 June 2022, structured deposits with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) of the Group are pledged with banks to secure the Group’s borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million).

As at 30 June 2022, restricted term deposits of RMB184.0 million (31 December 2021: RMB234.2 million) are pledged with banks to secure the Group’s bank borrowings with principal amount of RMB175.3 million of the Group (31 December 2021: RMB222.0 million).

Save as disclosed above, during the six months ended 30 June 2022, the Group did not have any pledge of assets.

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

On 13 May 2022, Huifang Technology, an indirect wholly-owned subsidiary of the Company, entered into a partnership agreement (“Partnership Agreement”) with Mr. Wu Min, Mr. Qiu Wei, Mr. Zhang Changsong, Mr. Yao Wenjun, Mr. Zhou Jun, Mr. Chai Kun, Mr. Tang Zhi and Ms. Zhu Yingfei in relation to the proposed formation of Huifang Tongcui. Pursuant to the Partnership Agreement, the total capital commitment in relation to Huifang Tongcui shall be RMB20 million, out of which the capital commitment of Huifang Technology shall be RMB12 million and the capital commitment of each of the other 8 partners shall be RMB1 million, respectively. All of the 8 partners are employees of the Group. As two partners are executive Directors and one partner is the chief executive officer of the Company and thus connected persons of the Company, the entering into of the Partnership Agreement constitutes a connected transaction of the Company. For further details of the above-mentioned transactions, please refer to the announcement of the Company dated 13 May 2022 and the supplemental announcement of the Company dated 19 May 2022.

On 23 May 2022, Huifang Tongcui was formally established in Suzhou, the PRC with a registered capital of RMB20 million. The Company has a shareholding ratio of 60%, and has not contributed to the committed capital injection amount in full as at 30 June 2022. The investment strategy of the Group is to establish Huifang Tongcui for the purpose of setting up an investment fund with Qianhui Investment, to leverage on the resources and expertise of Qianhui Investment in equity investment and to explore for potential investment opportunities on advanced manufacturing.

As at 30 June 2022, the fair value of each of the above mentioned investments represented less than 5% of the total assets of the Group. As at 30 June 2022, the Group did not hold any significant investments in the equity interests of any other companies. The Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

9.1 Contingencies

As at 30 June 2022, the Group did not have any significant contingent liabilities except for the Group’s normal guarantee business in the amount of RMB15.8 million (31 December 2021: RMB47.0 million).



9.2 Commitments

(a) Capital commitments

	30 June 2022 Unaudited	31 December 2021 Audited
Suzhou Cibe (a)	15,535	29,025
Suzhou Qianrong (b)	14,000	—
Huifang Tongcui (c)	12,000	—
Zhongxin Hengyuan (d)	2,000	5,000
	43,535	34,025

- (a) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB15.5 million has not been paid by the Group as at 30 June 2022 (31 December 2021: RMB29.0 million).
- (b) The committed investment injection to Suzhou Qianrong is RMB20.0 million, of which RMB14.0 million has not been paid by the Group as at 30 June 2022 (31 December 2021: nil).
- (c) The committed capital injection to Huifang Tongcui is RMB12.0 million, which has not been paid by the Group as at 30 June 2022 (31 December 2021: nil).
- (d) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million has not been paid by the Group as at 30 June 2022 (31 December 2021: RMB5.0 million).

9.3 Cash Usage Analysis

As at 30 June 2022, the Group's cash and cash equivalents amounted to RMB188,462 thousand, representing an increase of RMB97,579 thousand as compared to the corresponding period of last year. The following table sets forth a summary of our cash flows for the indicated periods:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Net cash outflow from operating activities	(18,947)	(107,104)
Net cash outflow from investing activities	(26,907)	(28,360)
Net cash (outflow)/inflow from financing activities	(1,399)	122,664
Net decrease in cash and cash equivalents	(47,253)	(12,800)
Exchange gains/(losses) on cash and cash equivalents	934	(236)

Net Cash Flow from Operating Activities

During the Reporting Period, net cash outflow from operating activities amounted to RMB18,947 thousand, mainly due to the increase of income tax paid.

Net Cash Flow from Investing Activities

During the Reporting Period, net cash outflow from investing activities amounted to RMB26,907 thousand, mainly due to the development of equity investment business and the construction and operation costs of Zhonghui Financial Building.

Net Cash Flow from Financing Activities

During the Reporting Period, net cash outflow from financing activities amounted to RMB1,399 thousand, mainly due to the dividends paid to owners of the Company and the repayments of borrowings.

10. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 30 June 2022, the Group had a total of 147 full-time employees, increasing from 141 as at 31 December 2021. The main reason was that the Company's business has become more diversified, and the headcount in corresponding positions such as luxury sales has increased. The Company will continue to carry out human resource optimization work and adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

For the six months ended 30 June 2022, employee remuneration and benefits increased by RMB2,144 thousand to RMB19,897 thousand from the corresponding period last year.

The Group reviews on an annual basis and discretionary bonus is paid on an annual basis with reference to the Group's performance and individual performance. We adhere to fostering a working environment with opportunities for learning and career development for our employees, and the Group provides employees with a comprehensive range of staff training scheme, including financial knowledge, compliance and leadership management, so as to help them achieve both their personal and professional development goals.

Pursuant to the applicable PRC regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We have been in compliance with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material respects. We are not subject to any collective bargaining agreements.

11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Save as the capital commitments disclosed in Note 9.2 to this report, the Group has no other plans for material investments or acquisition of capital assets. However, the Group will continue to seek new business development opportunities.

12. EVENTS AFTER REPORTING PERIOD

Save as disclosed in this report, there is no significant event after 30 June 2022.

13. CREDIT RISK MANAGEMENT, INTERNAL CONTROL AND IMPAIRMENT ALLOWANCE

13.1 CREDIT RISK MANAGEMENT

The money lending business of the Group mainly includes three business units, namely (i) pawnshop business, micro-finance business and overseas finance business; (ii) turnover loan funds business; and (iii) commercial factoring business.

For each of the Group's money lending business units, the Group has formulated clear guidelines, policies and measures for the entire loan process, from assessment of credit risks and granting of loans, to post-lending monitoring and risk management, details of which are set out below. Different functions, such as credit risk assessment, lending procedures and approval of new loan applications are clearly delineated and segregated.

13.1.1 Pawnshop business, micro-finance business and overseas finance business

Below is a summary of the product types available under each category of this business unit:

- **Pawnshop business:** mainly comprises the provision of real estate backed loans, personal property backed loans and unsecured loans. The unsecured loans in this category mainly comprises of equity interest backed loans.
- **Micro-finance business:** mainly comprises the provision of real estate backed loans and unsecured loans. The unsecured loans in this category mainly comprises guaranteed loans and credit loans.
- **Overseas finance business:** comprises of the provision of unsecured loans, which are mainly guaranteed loans.

The product types in this business unit can broadly be categorised into secured loans and unsecured loans.

(a) Secured loans

Granting of loans

Secured loans are granted by taking into account the collateral to be provided and the customer's cash flows and solvency position. Credit risks of customers are comprehensively assessed based on multiple factors, such as value of the collateral given, the customer's credit record, the customer's solvency and an analysis on the customer's industry and prospect.

Renewal of loans

Each loan renewal will be considered as a new loan to be granted and assessed under the same set of procedures adopted for new loan applications. The Group will also consider whether the interest and principal payments of the previous loan(s) has/have been paid on schedule, and whether the appraised value of the collateral is still acceptable to the Group for the loan renewal.

Ongoing credit risk assessment

Assessment of the customer: In addition to the credit risk analysis conducted upon granting of loans, periodic credit risk assessment on the customer will be conducted based on various other factors, including credit record, source of repayments (including a review conducted on a corporate customer's (or its controlling entity's) revenue, assets and liabilities, and the available assets of an individual customer), anti-fraud inquiries and marital status of the customer.

Assessment of the collateral: Assessment on the collateral will be focused upon (i) authenticity and legitimacy; and (ii) value of the collateral. Authenticity and legitimacy will be reviewed by perusing the relevant documents as mentioned in the paragraph headed "Documents reviewed" below. Value is assessed based on any appraised value issued by appraisal institutions, and the ability to realise the value of the asset, taking into account the nature, location, age and size (in case of a property) of the asset.

Assessment of repayment: The repayment of the principal and interest by the mortgagor (borrower) is also continuously monitored. If the repayment of the principal and interest of a loan is overdue or if there is a major event affecting the collateral which is brought to the attention of the Group, the Group will enforce its rights as creditor through legal proceedings if necessary.

Documents reviewed

In the process of credit risk assessment of customers, the Group will obtain and review both the customer's credit report issued by the People's Bank of China, the anti-fraud assessment report issued by third-party assessment agency and collateral assessment report issued by third-party assessment agency, respectively. The Group will also obtain and review the identity card or the business licence to verify the customer's identity and require all documents to be signed by the customer as borrower.

Where fixed assets collaterals are involved, to mitigate operational risks, the document review process also entails verification of the authenticity of the contract and the validity of the mortgage. For example, for loans with real estate collaterals, the Group will obtain and review title documents and relevant contracts to ensure the validity of the mortgage.

(b) Unsecured loans

Granting of loans

Unsecured loans mainly involve equity interest backed loans, guaranteed loans and credit loans.

Unsecured loans are granted by taking into account the customer's cash flows and solvency position. Credit risks of customers are assessed and monitored in the same manner as secured loans.

In addition, a comprehensive pre-loan investigation report on the customer will be prepared by the business department for review by the loan examination department, which includes the following information:

- the basic information of the customer;



- the key financial information of the corporate customer and its operational data, including:
 - analysis on medium and long-term solvency, such as gearing ratio, current ratio and cash ratio;
 - analysis on corporate profitability, such as operating profit margin and net profit ratio;
 - non-financial indicators, such as electricity consumption, water consumption and salary payment; and
- the information of the guarantor (if any), including the guarantor's assets and ability to provide such guarantee and factors analogous to an examination of the financial information of the borrower customer.

Ongoing credit risk assessment

Periodic review is conducted on the repayments status and the financial status of the customer and guarantor. In the case of an overdue repayment of principal or interest of an unsecured loan or if there occurs a major event involving the guarantor of an unsecured loan, upon identification of the reasons of the specific customer's or the guarantor's inability to repay, the Group will formulate a customer-specific response plan based on the customer's operating conditions, sources of funds for repayment and repayment willingness. The Group will also negotiate with such customer to increase its guaranteed amount or determine a repayment plan, and implement recovery measures through legal proceedings if necessary.

Documents reviewed

In the process of credit risk assessment, the Group will obtain and review the customer's credit report issued by the People's Bank of China and anti-fraud assessment report issued by third-party assessment agency, respectively.

For avoidance of operational risks, the document review process also entails verification of the identity of the customer. For example, the Group will obtain and review the identity card or the business licence to verify the customer's identity and require all documents to be signed by the customer as borrower.

For equity interest backed loans, the Group will conduct an internal review of the results and value of the equity interests. The Group will also obtain and review the equity interest registration certificate issued by the relevant department to verify the validity of the equity interest.

13.1.2 Turnover loan funds business

In the PRC, SME borrowers who received loans from banks have to repay the loan amount in full upon expiry and re-apply for a new loan, thereby creating strong demand for services provided by bridging loan providers that will lead to timely approval of the new loan by banks to the SMEs and also flexible repayment terms. The Group provides short-term loan funds to SMEs for them to repay the expiring loans and after the SMEs have drawn down the new loans from the cooperation banks, the SMEs will repay the short-term loan funds (together with interest accrued thereon) to the Group, so as to alleviate the SMEs' capital turnover pressure caused by the "payment first and loan later" ("先還後貸") notion prevalent in the process of grant of loans in the PRC.

The Group mainly relies on Huifang Rongtong as the legal entity to carry out its business in turnover loan fund, which is a turnover loan funds business (轉貸基金) approved, guided and supervised by the Suzhou Wuzhong People's Government. It cooperates with banks that have branches in Wuzhong District of Suzhou and provides short-term loan funds to SMEs that (i) meet bank credit requirements, given their track record of repayment and credit risks have already been assessed by the banks previously; and (ii) experience difficulties in repaying their previous loan amount in full for its renewal. The process of this business will normally be kick-started by the SMEs (some of them are referred by cooperation banks of the Group) by first applying to the Group for turnover loan funds, after which, the Group will conduct due diligence on the SMEs, and will provide funds to them according to the conditions and amount of loans confirmed by the cooperation banks to the Group.

Funds are advanced/granted to SMEs in the turnover loan funds business. The source of the funds of the Group mainly comes from the paid-up registered capital in the amount of RMB75 million of Huifang Rongtong and interest income generated from this business. After the Group enters into loan agreements with the SMEs, the Group will remit the funds to the turnover repayment account of the SMEs that meets the bank's management requirements. Upon the previous loans with the cooperation bank being settled, the cooperation bank lends new loan to the SMEs, and transfers the amount of the turnover loan funds advanced/granted by the Group (together with interest accrued thereon) to a turnover loan special account or a designated entrusted account of the Group that meets the bank's management requirements, which will be regarded as a repayment of the turnover loan funds by the SMEs to the Group.

Granting of loans

In order to qualify for grant of a loan under this business unit, the SME must go through the credit review process and satisfy the borrower qualifications of the lending bank, which involves assessment of credit, financial resources and operational data and etc.

Once the SME has passed the credit review assessment, a contract will be issued by the Company in accordance with the internal administrative measures governing turnover loan funds.

The amount of each turnover loan shall not exceed RMB20 million.

The credit risks borne by the Group in this business include the risks of:

- (i) the changes in loan renewal conditions of the banks;
- (ii) the SMEs not meeting the conditions for loan renewal;
- (iii) the SMEs changing the use of loan funds for other purposes instead of repayment of the current loan;
and
- (iv) overdue repayment of funds by the SMEs to the Group.

Ongoing credit risk assessment

The Group implements a comprehensive process of tracking and supervision of turnover loan funds, which establishes an early warning mechanism for SMEs' corporate risks and change of circumstances that exposes the Group to further credit risks. The Group performs tracking and supervision in the following six stages of a turnover loan funds cycle: (i) contract signing; (ii) pre-loan implementation; (iii) fund transfer; (iv) loan disbursement; (v) fund return; and (vi) archives. The turnover loan funds business unit is responsible for maintaining close communication and contact with customers, closely monitoring the customer's business performance and providing feedback to the risk control department accordingly. The risk control department of the Group will monitor and flag unusual circumstances, such as customers having yet to repay turnover loan funds over a long period of time, and give timely warnings to the relevant personnel of the Group to closely monitor credit risks arising from such events.

Repayments by SMEs are closely monitored. For customers with overdue repayments or adverse changes, upon identification of the reasons for the overdue repayments by the specific customer, the Group will formulate a customer-specific response plan based on the customer's operating conditions, sources of funds for repayment and repayment willingness. The Group will also negotiate with such customer to increase its effective asset guarantees or determine a repayment plan, and implement recovery measures through legal proceedings if necessary.

Documents reviewed

In the process of credit risk assessment, the Group will obtain and review the basic information of the SMEs, such as the business licence, financial statements and etc. Meanwhile, the Group will obtain feedback of the application forms and business contact sheets from banks before the granting of loans.

13.13 Commercial factoring business

Grant of factoring

To manage the commercial factoring business unit, the Group has formulated a set of internal measures detailing the criteria and credit risk assessments for both the customer and the relevant debtor, specific provisions for review and approval, the process for transfer of account receivables and post-financing management. Credit risk control, credit limits and interest rates will be determined based on the results of the assessment.

In terms of the criteria and credit risk assessments for both the customer and the relevant debtor, the Group first divides customers and debtors into (i) manufacturing (or service-oriented) enterprises; and (ii) engineering project-oriented enterprises, and evaluates customers and debtors based on two different sets of criteria set for (i) and (ii) on year of establishment, credit records, social reputation, product quality and market conditions.

In terms of the risk assessment of account receivables, the Group focuses on the assessment of account receivables period, payment responsibilities, contractually agreed prices and assignment restrictions.

Credit risk assessment

The Group has designated personnel to perform review procedures on factoring and registrations of the assignment of account receivables. Analysis will be conducted to closely monitor the customer's business operations or any changes thereto, financial position, and solvency through fieldwork and due diligence. Credit history of the customer with the Group and other financial institutions will also be monitored.

The authenticity and legality of the transfer of account receivables and the recoverability of the account receivables will be assessed. In addition, the Group closely monitors and keeps track of any disputes between the customer and the debtor regarding the account receivables or deterioration of financial position of the debtor, and will take timely measures to counter such risks, such as ceasing to provide further factoring services to the customer, recovery of the amounts due from the customer.

If upon expiry of the financing, the customer fails to redeem the account receivables or if the debtor fails to repay the account receivables, various collection measures will be taken immediately, including registration of an extension of the account receivables, obtaining control over the account receivables and enforcing the Group's claims through legal means.

Documents reviewed

For commercial factoring, the Group collects information and documents in relation to the payment and the ledger management of account receivables. The Group will verify the account receivables and confirm the results of account receivables registration, and obtain and review the corporate information of the customer.

Financial reports of the customer will also be collected on a monthly or quarterly basis to review its balance sheet, operating income and profitability in an objective manner.

13.2 INTERNAL CONTROL

In addition to the measures as disclosed above in this report, the Group has adopted the following key internal control measures with the aim to establish a comprehensive risk management system covering all employees, products and operational processes:

- segregation of credit assessment and loan disbursement process and establishment of a multi-tiered loan approval policy with a clear delineation of the responsibilities of different positions in the whole business process, which promotes employees' integrity and accountability across front, middle and back offices;
- promulgation of working rules of the credit approval committee, policies for product outline and product management policies which governs the loan approval process, such policies include, for instance, setting a maximum limit for each loan transaction;



- implementation of post-lending monitoring and management procedures to carry out ongoing monitoring and management of credit risks and the entire lending process, carrying out quarterly post-lending inspections and reviews and also specialized inspections when required from time to time during the loan period;
- establishment of a comprehensive management system with an early warning system to store all business information and documents relating to the loan transaction to ensure that every transaction is recorded in an accurate and timely manner and any defaulted loans are identified; and
- promulgation of management policies for defaulted liabilities and bad debts identification and write-offs such that write-offs can only be processed after the relevant liabilities have been identified as bad debts and compliant with write-offs management policy.

13.3 IMPAIRMENT ALLOWANCE

The Group may suffer credit losses if its customers default on contractual obligations. Further details for the recognition of the impairment allowance (including the provision of loss allowance and the write-off) for the financial year ended 31 December 2021 are set out below.

As at 31 December 2021, the impairment allowance for loans to customers granted by the Group was as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Secured loans to customers⁽¹⁾		
Stage 1 & 2	18,392	7,171
Stage 3	371,420	356,576
Subtotal	389,812	363,747
Unsecured loans to customers⁽²⁾		
Stage 1 & 2	25,862	28,842
Stage 3	228,807	211,081
Subtotal	254,669	239,923
ECL allowances, total	644,481	603,670
Stage 1 & 2	44,254	36,013
Stage 3	600,227	567,657

Notes:

(1) Secured loans to customers mainly comprise real estate backed loans and personal property backed loans.

(2) Unsecured loans to customers mainly comprise equity interest backed loans and guaranteed loans and other unsecured loans.

MANAGEMENT DISCUSSION AND ANALYSIS

The impairment allowance was measured based on the expected credit losses (“ECL”) model. Please refer to the Company’s 2021 Annual Report, in particular, paragraph 3.1 of the Management Discussion and Analysis and Notes 2.12, 3.1(a), 4.1(a) and 32 to the consolidated financial statements, for the major parameters, assumptions and judgments used in the model.

For loans to customers in Stage 1 & 2, the impairment allowance was determined by projecting the Probability of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”) for every six months and for each individual exposure or collective segment, based on historical data. The increase of the impairment allowance in Stage 1 & 2 for 2021 was mainly due to the increase of the gross carrying amount of loans to customers in Stage 1 & 2 at the end of this year as compared with the end of last year, and the slight increase in the LGD.

For impaired loans to customers in Stage 3, the impairment allowance was assessed by estimating the discounted future cash flows from the loans, and such assessment was re- performed for at least every six months.

For secured loans, the discounted cash flow was primarily dependant on the type of collaterals, their appraised value, and estimated time for disposal. The impairment allowance for secured loans increased in 2021, mainly due to:

- (i) a decline of collaterals’ appraised value based on the latest selling records of similar assets in the market, or a forced sale of such collaterals at a price lower than previous estimate; and
- (ii) an extension of estimated time for disposal because of the epidemic or other external factors emerged during legal proceedings.

For unsecured loans, the discounted cash flow depended on the customer’s financial and operating conditions, as well as their own properties preserved by the Group. The impairment allowance for unsecured loans increased in 2021, mainly due to:

- (i) a deterioration of customer’s business conditions for epidemic or other reasons, or a significant decline in repayment ability resulting from financial difficulties, compared with the loan’s initial granting; and
- (ii) an update of the impairment allowance based on supporting documents such as the customer’s bankruptcy or insolvency plans.

The Group also entered into supplementary repayment agreements with certain secured or unsecured loan customers in order to maximise its interests. The Group adjusted the impairment allowance according to implementation of such agreements.

In 2021, the Group had written off its impairment allowance on loans to customers of RMB70,762,000, with an average overdue period of 5.6 years. The write-off only occurred when the Group has exhausted all practical recovery efforts and its decision was made based on the evidence which shows it still cannot recover its obligatory right after liquidating the customers property and pursuing repayment from the guarantor:

- (i) external evidence such as property settlement certificates issued by courts, arbitration tribunals or relevant government authorities; and
- (ii) internal evidence such as property recovery certificates, settlement reports, and legal opinions issued by the Group’s risk control department and internal lawyers.

PROSPECTS

Inclusive Finance Business Division: The pawnshop business will continue to be guided by the national expansion strategy, the concept of building a balanced development pattern with a reasonable structure of light assets and heavy assets, actively implementing market-oriented innovation and adjustment, and focusing on strengthening the market team building. The Company will focus on building luxury sales business and deeply cultivate art investment business, so as to achieve double breakthroughs in development scale and development quality within the year.

Ecology Finance Business Division: The commercial factoring business will attach great importance to promoting multi-dimensional financing, and strengthen market-oriented expansion and post-loan management. The supply chain management business will further expand business categories. The special asset investment business and wealth management business will continue to explore stable business models. The equity investment business will further strengthen cooperation with investment institutions and accelerate the implementation of double GP cooperation mode. The Company will promote financial leasing business in an orderly manner, and seek to obtain new licenses.

Headquarters: The Company will continue to (i) pay attention to the impact of the pandemic situation on the macro economy and review the effectiveness of risk control policies; (ii) proactively strengthen liquidity management and pay attention to financing work in order to facilitate rapid business development; (iii) continue to integrate and optimize information systems, eliminate information silos, and strengthen data mining, analysis and application; (iv) increase the introduction of external talents and the training of internal talents, control the total labor cost, and promote the refined management of the headcount.

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

The Company and its subsidiaries did not purchase, sell or redeem any of its securities during the six months ended 30 June 2022.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which a Director or any entity connected with a Director had a material interest, whether directly or indirectly, subsisting during or at the end of the six months ended 30 June 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Issued Shares (Note 2)
Wu Min	Beneficial owner	Ordinary Shares	1,840,000 (L)	0.17%
Yao Wenjun	Beneficial owner	Ordinary Shares	400,000 (L)	0.04%
Zhang Changsong	Beneficial owner	Ordinary Shares	2,490,000 (L)	0.23%
Zhang Shu	Beneficial owner	Ordinary Shares	600,000 (L)	0.06%

Notes:

- (L) represents long position.
- Based on a total of 1,090,335,000 Shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the Shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares (Note 6)
Xiaolai Investment Co., Ltd	Beneficial owner	Ordinary Shares	260,000,000 (L)	23.85%
Xilai Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.96%
Zhu Tianxiao	Interest in controlled corporation	Ordinary Shares	325,000,000 (L) (Note 2)	29.81%
Baoxiang Investment Co., Ltd	Beneficial owner	Ordinary Shares	84,500,000 (L)	7.75%
Zhang Xiangrong	Interest in controlled corporation	Ordinary Shares	84,500,000 (L) (Note 3)	7.75%
Wonder Capital Co., Ltd	Beneficial owner	Ordinary Shares	71,500,000 (L)	6.56%
Ge Jian	Interest in controlled corporation	Ordinary Shares	71,500,000 (L) (Note 4)	6.56%
Southern Swan Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.96%
Chen Yannan	Beneficial owner	Ordinary Shares	1,200,000 (L)	0.11%
	Interest in controlled corporation	Ordinary Shares	65,000,000 (L) (Note 5)	5.96%

OTHER INFORMATION

Notes:

1. (L) represents long position.
2. These Shares represent the 260,000,000 Shares held by Xiaolai Investment Co., Ltd and 65,000,000 Shares held by Xilai Investment Co., Ltd. Each of Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd is 100% beneficially owned by Mr. Zhu Tianxiao. Accordingly, Mr. Zhu Tianxiao is deemed to be interested in all the Shares beneficially owned by Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd under the SFO.
3. These Shares are held by Baoxiang Investment Co., Ltd, which is 100% beneficially owned by Mr. Zhang Xiangrong, and therefore, Mr. Zhang Xiangrong is deemed to be interested in all these Shares under the SFO.
4. These Shares are held by Wonder Capital Co., Ltd, which is 100% beneficially owned by Mr. Ge Jian, and therefore, Mr. Ge Jian is deemed to be interested in all these Shares under the SFO.
5. These Shares are held by Southern Swan Investment Co., Ltd which is 100% beneficially owned by Mr. Chen Yannan, and therefore, Mr. Chen Yannan is deemed to be interested in all these Shares under the SFO.
6. Based on a total of 1,090,335,000 Shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, no person or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed “Directors’ and chief executive’s interests and short positions in shares and underlying shares and debentures” above, had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

On 26 May 2014, a share option scheme of the Company (the “Share Option Scheme”) was approved and adopted by the shareholders of the Company. The principal terms of the Share Option Scheme, which shall be valid and effective for 10 years from its adoption date and, are summarized below.

Purpose

The purpose of the Share Option Scheme is to incentivize and reward the eligible participants for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

Eligible participants

Pursuant to the Share Option Scheme, the Board may offer any employee (whether full-time or part-time) or a director of the Group options to subscribe for shares of the Company.

Total number of Shares available for issue under the Share Option Scheme

The Company approved on 13 September 2016 to grant of share options to enable eligible participants as incentives or rewards for their contribution or potential contribution. The options have a contractual option term of five years expired on 12 September 2021. For the six months ended 30 June 2022, there is no remaining options.

(a) 10% limit

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total issued Shares as at the date of adoption of the Share Option Scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and any share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the Shareholders in general meeting, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the refreshed limit.

The Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit to any eligible persons specifically identified by the Board.

(b) 30% limit

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the Shares of the Company in issue from time to time.

Maximum entitlement of each eligible person

No option shall be granted to any eligible person under the Share Option Scheme which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Any further grant of options to an eligible person in excess of the 1% limit as mentioned above shall be subject to the approval of the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) abstaining from voting.

Exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall be not less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;
- (b) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the 5 trading days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

Performance targets and minimum period for which an option must be held

The Board may, when making an offer of the grant of an option, impose and specify in the offer letter any terms and conditions as it may at its absolute discretion think fit, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised.

OTHER INFORMATION

Amount payable upon acceptance of option

HK\$1.00 is payable by each eligible person to the Company on acceptance of an offer of option.

On 13 September 2016, the Board considered and approved the grant of 50,000,000 share options to certain eligible persons under the Share Option Scheme. The options granted to each of the grantees under the Share Option Scheme shall be vested and become exercisable upon the first or second anniversary of the date of grant (i.e. 13 September 2016 or 13 September 2017). Vested options shall be exercisable until the expiry of the five-year period from the date of grant (i.e. until 12 September 2021). Grantees of such options are entitled to exercise the options at an exercise price of HK\$0.62 per Share. For more details, please refer to the announcement of the Company dated 13 September 2016.

Remaining life of the Share Option Scheme

The Share Option Scheme will expire on 26 May 2024 and no further share options may be granted but the provisions of the Share Option Scheme shall in all other respects remain in force and effect necessary to give effect to the exercise of any Share options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

The options that were granted have expired on 12 September 2021 and there were no outstanding options at the beginning of the Reporting Period. There were no options granted, exercised, cancelled, lapsed or forfeited during the Reporting Period and as at 30 June 2022.

ISSUE OF EQUITY SECURITIES

During the six months ended 30 June 2022, the Company did not issue any equity securities.

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has complied with the principles and code provisions as set out in the CG Code throughout the Reporting Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all Directors, and the Directors have confirmed that they had complied with the Model Code during the six months ended 30 June 2022.

CHANGE IN DIRECTORS' INFORMATION

From 1 January 2022 to the date of this report, the changes in the directors' information of the Company are as follows:

Mr. Qiu Wei and Mr. Yao Wenjun have been appointed as executive directors of the Company with effect from 26 May 2022.

Mr. Zhang Cheng and Mr. Zhuo You have retired as non-executive directors of the Company with effect from the conclusion of the annual general meeting held on 26 May 2022.

Mr. Feng Ke, an independent non-executive Director, has been an independent non-executive director of Guangdong-Hong Kong Greater Bay Area Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01396)), since 27 June 2022.

REVIEW OF INTERIM RESULTS

The accounting information contained in this report has not been audited by the independent auditor of the Company. However, the Audit Committee together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2022. The unaudited interim results for the six months ended 30 June 2022 was reviewed with no disagreement by the Audit Committee. In addition, the independent auditor of the Company has reviewed the unaudited interim financial information for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

DIVIDEND

The Board did not recommend an interim dividend for the six months ended 30 June 2022.

By Order of the Board
China Huirong Financial Holdings Limited
Wu Min
Chairman

Hong Kong, 26 August 2022



羅兵咸永道

To the Board of Directors of China Huirong Financial Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 47 to 98, which comprises the interim condensed consolidated statement of financial position of China Huirong Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2022

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

	Note	Six Month ended 30 June	
		2022 Unaudited	2021 Unaudited
Interest income	7	125,126	132,020
Sales of goods	8	178,474	575
Consultancy fee income	9	723	298
Commission fee income	10	1,096	1,861
Operating income		305,419	134,754
Interest expense	11	(14,618)	(12,705)
Costs of sales	8	(177,099)	(484)
Commission fee expense	10	—	(1,320)
Operating costs		(191,717)	(14,509)
Net investment (losses)/gains	12	(286)	5,494
Credit impairment losses	13	(39,966)	(57,738)
Net gains on derecognition of financial assets measured at amortized cost		1,911	485
Other operating (expenses)/income	14	(1,711)	330
Net operating income		73,650	68,816
General and administrative expenses	15	(34,514)	(31,395)
Other gains/(losses), net	17	1,755	(2,274)
Operating profit and profit before income tax		40,891	35,147
Income tax expense	19	(12,399)	(12,083)
Profit for the period		28,492	23,064
Profit is attributable to:			
— Owners of the Company		18,149	14,776
— Non-controlling interests		10,343	8,288
Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)			
— Basic earnings per share	20	0.017	0.014
— Diluted earnings per share	20	0.017	0.013
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		28,492	23,064
Total comprehensive income for the period is attributable to:			
— Owners of the Company		18,149	14,776
— Non-controlling interests		10,343	8,288
		28,492	23,064

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(All amounts in RMB thousands unless otherwise stated)

	<i>Note</i>	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	22	54,437	53,274
Right-of-use assets	23	19,152	20,903
Investments accounted for using the equity method	24	30,965	17,475
Investment properties	25	203,698	203,698
Intangible assets	26	1,725	2,238
Loans to customers	30	220,059	202,993
Deferred income tax assets	27	84,635	89,882
Total non-current assets		614,671	590,463
Current assets			
Inventories	28	884	17,707
Other current assets	29	59,824	39,545
Commission fee receivables		11	6
Loans to customers	30	1,709,903	1,612,084
Financial assets at fair value through profit or loss	31	86,556	93,043
Cash at bank and cash on hand	32	374,228	483,347
Total current assets		2,231,406	2,245,732
Total assets		2,846,077	2,836,195
EQUITY			
Equity attributable to the owners of the Company			
Share capital	33	8,662	8,662
Share premium	34	604,478	604,478
Other reserves	34	593,122	593,122
Retained earnings		643,417	662,597
		1,849,679	1,868,859
Non-controlling interests		225,995	224,875
Total equity		2,075,674	2,093,734

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

	<i>Note</i>	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
LIABILITIES			
Non-current liabilities			
Lease liabilities	23	3,782	4,540
Borrowings	36	197,000	89,380
Deferred income tax liabilities	27	20,704	22,427
Total non-current liabilities		221,486	116,347
Current liabilities			
Other current liabilities	35	79,834	83,357
Current income tax liabilities		18,145	30,253
Amounts due to related parties	39(c)	633	633
Dividends payable		1,261	2,678
Lease liabilities	23	2,508	2,913
Borrowings	36	446,536	506,280
Total current liabilities		548,917	626,114
Total liabilities		770,403	742,461
Total equity and liabilities		2,846,077	2,836,195

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

These condensed consolidated interim financial information is approved and authorized for issue by the Board of Directors on 26 August 2022.

Wu Min
Executive Director

Zhang Changsong
Executive Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

Unaudited	Note	Attributable to the owners of the Company					Total	Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings				
Balance at 31 December 2020		8,641	602,728	593,774	575,428	1,780,571	161,327	1,941,898	
Profit for the period		—	—	—	14,776	14,776	8,288	23,064	
Total comprehensive income for the period		—	—	—	14,776	14,776	8,288	23,064	
Transactions with owners in their capacity as owners									
Issue of ordinary shares under employee share scheme		—	1	—	—	1	—	1	
Capital movement of non- controlling interests		—	—	—	—	—	(5,000)	(5,000)	
Dividends declared or paid	21	—	—	—	—	—	(11,449)	(11,449)	
Total transactions with owners in their capacity as owners		—	1	—	—	1	(16,449)	(16,448)	
Balance at 30 June 2021		8,641	602,729	593,774	590,204	1,795,348	153,166	1,948,514	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

Unaudited	Note	Attributable to the owners of the Company					Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 31 December 2021		8,662	604,478	593,122	662,597	1,868,859	224,875	2,093,734
Profit for the period		—	—	—	18,149	18,149	10,343	28,492
Total comprehensive income for the period		—	—	—	18,149	18,149	10,343	28,492
Transactions with owners in their capacity as owners								
Capital movement of non-controlling interests		—	—	—	—	—	900	900
Dividends declared or paid	21	—	—	—	(37,329)	(37,329)	(10,123)	(47,452)
Total transactions with owners in their capacity as owners		—	—	—	(37,329)	(37,329)	(9,223)	(46,552)
Balance at 30 June 2022		8,662	604,478	593,122	643,417	1,849,679	225,995	2,075,674

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2022 Unaudited	2021 Unaudited
Cash flows from operating activities			
Cash generated from/(used in) operating activities		12,171	(90,352)
Interest received from bank deposits		4,340	5,019
Interest paid		(14,475)	(12,296)
Income tax paid		(20,983)	(9,475)
Net cash outflow from operating activities		(18,947)	(107,104)
Cash flows from investing activities			
Payments for acquisition of an affiliate	24	(13,490)	(10,130)
Payments for property, plant and equipment		(6,334)	(449)
Payments for intangible assets		(101)	(65)
Payments for properties under development		—	(17,657)
Payments for investment property		(6,982)	(59)
Net cash outflow from investing activities		(26,907)	(28,360)
Cash flows from financing activities			
Proceeds from borrowings		572,920	499,000
Proceeds from issuance of shares under share-based payments		—	1
Repayments of borrowings		(525,000)	(359,339)
Repayments of lease liabilities		(1,350)	(1,965)
Capital movement of non-controlling interests		900	(5,000)
Dividends paid to owners of the Company		(37,329)	—
Dividends paid to non-controlling interests		(11,540)	(10,033)
Net cash (outflow)/inflow from financing activities		(1,399)	122,664
Net decrease in cash and cash equivalents		(47,253)	(12,800)
Cash and cash equivalents at beginning of the period		234,781	103,919
Effects of exchange rate changes on cash and cash equivalents		934	(236)
Cash and cash equivalents at end of the period	32	188,462	90,883

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the “Company”) was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands. The Company is ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (the “Ultimate Shareholders”).

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in lending services through granting secured and unsecured loans to customers in the People’s Republic of China (the “PRC”).

On 28 October 2013, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited.

The detailed information of the subsidiaries of the Company can be found in Note 18.

This interim condensed consolidated financial information has been approved and authorized for issue by the board of directors (the “Board”) of the Company on 26 August 2022.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcement made by the Group during the six months ended 30 June 2022.

The Group continues to adopt the going concern basis in preparing its interim condensed consolidated financial information.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the consolidated financial statements for the year ended 31 December 2021.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3.2 Impact of standards issued but not yet applied by the Group

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates its critical accounting estimates and judgements applied based on historical experience and other factors, including reasonable expectations of future events.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Managing risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management is carried out by a Central Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk, market risk and liquidity risk.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. The Group regularly reviews its risk management policies and procedures to reflect changes in markets and products.

The interim condensed consolidated financial information does not include financial risk management information and disclosures required in the annual financial statements, except for a few credit risk disclosures to enhance the readers' understanding of the Group's credit exposure, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

There have been no significant changes in the risk management policies since 31 December 2021.

5.1 Financial risk factors

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or those in credit quality of a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans to customers in the Group's asset portfolio, but can also be from bank deposits and other receivables.

The inputs, assumptions and estimation techniques used in measuring the Expected credit loss ("ECL") allowances and the forward-looking information incorporated in the ECL models are consistent with those adopted in 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(i) Credit risk exposure

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

Unaudited	As at 30 June 2022 ECL staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loans to customers				
Secured loans to customers (a)	593,717	33,533	834,796	1,462,046
Unsecured loans to customers (b)	937,641	5,768	202,585	1,145,994
Gross carrying amount	1,531,358	39,301	1,037,381	2,608,040
Loss allowances	(37,095)	(9,837)	(631,146)	(678,078)
Carrying amount	1,494,263	29,464	406,235	1,929,962
Term deposits with banks				
Credit grade				
A to AAA	168,260	—	—	168,260
Lower than A	15,979	—	—	15,979
Gross carrying amount	184,239	—	—	184,239
Loss allowances	(164)	—	—	(164)
Carrying amount	184,075	—	—	184,075
Structured deposits with banks				
Credit grade				
A to AAA	50,530	—	—	50,530
Gross carrying amount	50,530	—	—	50,530
Other current assets (excluding repossessed assets)				
Gross carrying amount	18,872	—	1,890	20,762
Loss allowances	—	—	(1,106)	(1,106)
Carrying amount	18,872	—	784	19,656
Guarantee and commitment				
Financial guarantees exposure	15,750	—	—	15,750

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(i) Credit risk exposure (Continued)

Audited	As at 31 December 2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loans to customers				
Secured loans to customers (a)	538,408	42,118	817,840	1,398,366
Unsecured loans to customers (b)	810,376	6,797	244,019	1,061,192
Gross carrying amount	1,348,784	48,915	1,061,859	2,459,558
Loss allowances	(30,566)	(13,688)	(600,227)	(644,481)
Carrying amount	1,318,218	35,227	461,632	1,815,077
Term deposits with banks				
Credit grade				
A to AAA	244,390	—	—	244,390
Gross carrying amount	244,390	—	—	244,390
Loss allowances	(164)	—	—	(164)
Carrying amount	244,226	—	—	244,226
Structured deposits with banks				
Credit grade				
A to AAA	61,295	—	—	61,295
Gross carrying amount	61,295	—	—	61,295
Other current assets (excluding repossessed assets)				
Gross carrying amount	12,345	—	1,901	14,246
Loss allowances	—	—	(951)	(951)
Carrying amount	12,345	—	950	13,295
Guarantee and commitment				
Financial guarantees exposure	46,950	—	—	46,950

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(i) Credit risk exposure (Continued)

- (a) Secured loans to customers comprise real estate backed loans and personal property backed loans.
- (b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and other unsecured loans.

(ii) Concentration of risks of financial assets with credit risk exposure

The Group maintains a diversified client base. The gross carrying amount from the top five customers accounted for 25.2% of the total gross carrying amount as at 30 June 2022 (31 December 2021: 25.9%). Interest income from the top five customers accounted for 17.8% of total interest income for the six months ended 30 June 2022 (2021: 24.4%).

(iii) Collateral and other credit enhancement

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for loans granted. The Group's internal policies on the acceptability of specific classes of collateral or credit risk mitigation are consistent with those adopted in 2021.

5.2 Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value measurement of financial instruments (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value at 30 June 2022 and 31 December 2021 on a recurring basis:

Unaudited	Level 1	Level 2	Level 3	Total
As at 30 June 2022				
Financial assets at fair value through profit or loss				
— Equity investments	12,395	—	23,631	36,026
— Structured deposits	—	—	50,530	50,530
	12,395	—	74,161	86,556
As at 31 December 2021				
Financial assets at fair value through profit or loss				
— Equity investments	16,748	—	15,000	31,748
— Structured deposits	—	—	61,295	61,295
	16,748	—	76,295	93,043

There are no transfers between levels during the period.

The Group do not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2022 (31 December 2021: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value measurement of financial instruments (Continued)

(b) Valuation techniques used to determine fair value

The discounted cash flow model is used to determine the fair value of the structured deposits in level 3, and the net asset value model is used to determine the fair value of the equity investments in level 3 (31 December 2021: same).

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the six months ended 30 June 2022 and for the year ended 31 December 2021:

	Structured deposits	Equity investments
Opening balance as at 1 January 2022	61,295	15,000
Disposals	(59,500)	—
Acquisitions	49,500	9,000
Unrealized losses recognized in net investment losses	(765)	(369)
Closing balance as at 30 June 2022	50,530	23,631
Including: unrealized losses recognized in profit or loss attributable to balances held at the end of the period	(765)	(369)
	Structured deposits	Equity investments
Opening balance as at 1 January 2021	82,880	—
Disposals	(82,880)	—
Acquisitions	59,500	15,000
Unrealized gains recognized in net investment gains	1,795	—
Closing balance as at 31 December 2021	61,295	15,000
Including: unrealized gains recognized in profit or loss attributable to balances held at the end of the year	1,795	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value measurement of financial instruments (Continued)

(d) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 30 June 2022	Unobservable inputs	Range of inputs 30 June 2022	Relationship of unobservable inputs to fair value
Structured deposits	50,530	Expected yield to maturity	1.95%–3.70%	The higher the expected yield to maturity, the higher the fair value

5.3 Fair value of investment properties

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
As at 30 June 2022				
Investment properties	—	1,680	202,018	203,698
Total non-financial assets	—	1,680	202,018	203,698
	Level 1	Level 2	Level 3	Total
As at 31 December 2021				
Investment properties	—	1,680	202,018	203,698
Total non-financial assets	—	1,680	202,018	203,698

There are no transfers between levels during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value of investment properties (Continued)

(b) Valuation techniques used to determine level 2 and level 3 fair values

The Group obtains independent valuations for its investment properties at least annually, and determines a property's value within a range of reasonable fair value estimates.

The fair value for investment properties in level 2 is based on current prices in local market for similar properties. For investment properties classified as level 3, which are appraised annually by an independent property valuer, valuations are based on the income approach by the net rental income derived from the contracted or expected rental taking into consideration of potential rental growth rate and expected vacancy rate of the properties.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 30 June 2022	Unobservable inputs	Range of inputs 30 June 2022	Relationship of unobservable inputs to fair value
Investment properties	202,018	Discount rate	5.5%	The higher the discount rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	2%–15%	
		Rental growth rate	2.5%	The higher the rental growth rate, the higher the fair value

5.4 Capital risk management

(a) Risk management

The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowing net of cash and cash equivalent. Total capital is calculated as "total equity" as shown in the interim condensed consolidated statement of financial position plus net debt.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.4 Capital risk management (Continued)

(a) Risk management (Continued)

The Group's strategy is to maintain a gearing ratio below 50% and to meet the compliance requirements of Wuzhong Pawnshop on aggregate amount of loans to customers at all times. The gearing ratio as at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Borrowings (Note 36)	643,536	595,660
Less: Cash and cash equivalents (Note 32)	(188,462)	(234,781)
Net debt	455,074	360,879
Total equity	2,075,674	2,093,734
Total capital	2,530,748	2,454,613
Gearing ratio	17.98%	14.70%

6 SEGMENT INFORMATION

The Company's board of directors is the Group's chief operating decision-maker, which assesses the financial performance and position of the Group and makes strategic decisions.

The Group manages its business under two operating and reportable segments for the six months ended 30 June 2022 (31 December 2021: same).

(a) Business segments

From business perspective, the Group provides services through two main business segments listed below:

Inclusive finance business division: The inclusive finance business division mainly refers to provision of lending services in the PRC. From a product perspective, the inclusive finance business division principally engaged in lending services through granting secured loans and unsecured loans to customers.

Ecology finance business division: The division mainly dedicates services to supply chain, loan facilitation technology, factoring, insurance agency and equity investment business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

(b) Segment analysis

The profit or loss before income tax for each reportable segment including incomes and expenses from external transactions and from transactions with other segments, and other items in the consolidated statement of comprehensive income are allocated based on the operations of the segment.

Segment assets and segment liabilities are measured in the same way as in the consolidated statement of financial position. These assets and liabilities are allocated based on the operations of the segment.

Unaudited	For the six months ended 30 June 2022				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	105,310	194,000	6,109	—	305,419
Internal operating income	306	352	5,801	(6,459)	—
External operating cost	(3,418)	(179,982)	(8,317)	—	(191,717)
Internal operating cost	(3,683)	(2,190)	(306)	6,179	—
Net investment (losses)/gains	—	(369)	83	—	(286)
Credit impairment losses	(33,833)	(2,113)	(4,020)	—	(39,966)
Net gains on derecognition of financial assets measured at amortized cost	1,911	—	—	—	1,911
Other operating (expenses)/income	(2,336)	50	1,287	(712)	(1,711)
General and administrative expenses	(11,560)	(2,894)	(21,052)	992	(34,514)
Other gains/(losses), net	—	(25)	1,780	—	1,755
Profit/(Losses) before income tax	52,697	6,829	(18,635)	—	40,891
Capital expenditure	(884)	(177)	(8,027)	—	(9,088)
Unaudited	As at 30 June 2022				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
Segment assets	1,407,760	494,559	946,227	(2,469)	2,846,077
Segment liabilities	(137,601)	(132,391)	(503,568)	3,157	(770,403)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

(b) Segment analysis (Continued)

Unaudited	For the six months ended 30 June 2021					Total
	Inclusive finance business division	Ecology finance business division	Insurance brokerage business division	Headquarter and others	Elimination	
External operating income	115,715	8,856	819	9,364	—	134,754
Internal operating income	339	—	—	—	(339)	—
External operating cost	(4,160)	(1,416)	(1,320)	(7,613)	—	(14,509)
Internal operating cost	(7)	—	—	(339)	346	—
Net investment gains	—	—	—	5,494	—	5,494
Credit impairment losses	(54,313)	(2,265)	—	(1,160)	—	(57,738)
Net gains on derecognition of financial assets measured at amortized cost	485	—	—	—	—	485
Other operating income	99	213	7	18	(7)	330
General and administrative expenses	(12,230)	(3,363)	(829)	(14,973)	—	(31,395)
Other gains/(losses), net	375	(393)	—	(2,256)	—	(2,274)
Profit/(Loss) before income tax	46,303	1,632	(1,323)	(11,465)	—	35,147
Capital expenditure	(477)	(6)	—	(17,747)	—	(18,230)
Audited	As at 31 December 2021				Elimination	Total
	Inclusive finance business division	Ecology finance business division	Headquarters and others			
Segment assets	1,077,031	288,450	1,506,622	(35,908)		2,836,195
Segment liabilities	(168,332)	(100,786)	(510,269)	36,926		(742,461)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

7 INTEREST INCOME

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Interest income from loans to customers		
— Secured loans to customers	74,978	74,873
— Unsecured loans to customers	47,209	53,986
Interest income from bank deposits	2,939	3,161
	125,126	132,020

8 SALES OF GOODS AND COSTS OF SALES

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Sales of goods		
— As principal	178,474	530
— As agent	—	45
	178,474	575
Costs of sales		
— As principal	(177,099)	(484)
	(177,099)	(484)

9 CONSULTANCY FEE INCOME

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Loan consultancy fee income	723	298

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

10 COMMISSION FEE INCOME AND EXPENSE

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Commission fee income		
Commission fee income from guarantee business	755	1,070
Insurance agency commission fee income	341	791
	1,096	1,861
Commission fee expense		
Insurance agency commission fee expense	—	(1,320)
	—	(1,320)

11 INTEREST EXPENSE

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Interest expense on bank borrowings	14,379	11,879
Interest expense on micro-finance company borrowings	3	508
Other interest expenses	236	318
	14,618	12,705

12 NET INVESTMENT (LOSSES)/GAINS

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Fair value (losses)/gains		
— financial assets at fair value through profit or loss	(626)	3,913
Net gains from disposal of financial assets	340	—
Cash dividend of listed equity securities	—	1,581
	(286)	5,494

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

13 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Credit impairment losses on loans to customers	41,170	58,145
Credit impairment losses on financial guarantees	(1,359)	(362)
Credit impairment losses on other current assets	155	(45)
	39,966	57,738

14 OTHER OPERATING (EXPENSES)/INCOME

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Net (losses)/gains from disposal of repossessed assets	(2,367)	34
Rental income	399	247
Others	257	49
	(1,711)	330

15 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Employee benefit expenses (Note 16)	19,897	17,753
Professional and consultancy fees	4,598	5,229
Depreciation and amortization	3,203	2,316
Telephone, utilities and office expenses	2,124	1,800
Transportation, meal and accommodation	1,776	1,205
Value-added tax surcharges	964	665
Operating lease payments	661	1,206
Auditors' remuneration	600	600
Advertising costs	53	216
Other expenses	638	405
	34,514	31,395

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

16 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Discretionary bonuses	8,640	8,535
Wages and salaries	7,741	6,151
Pension	818	534
Other social security obligations	2,698	2,533
	19,897	17,753

17 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Net foreign currency gains/(losses)	1,755	(2,751)
Government grants	—	477
	1,755	(2,274)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

18 SUBSIDIARIES

The following is a list of the Company's principal subsidiaries at 30 June 2022. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group. The country/place of incorporation is also their principal place of business.

Name of subsidiary	Country/ place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of issued and fully paid share capital/registered capital	Interest directly held	Interest indirectly held	Principal activities
Sifang Investment Limited	BVI	22 November 2011	Limited company	1 share of US\$1	100%	—	investment holding
Tongda Investment Limited	BVI	22 November 2011	Limited company	1 share of US\$1	—	100%	investment holding
Rongda Investment Limited ("Rongda Investment")	Hong Kong	5 December 2011	Limited company	1 share of US\$1	—	100%	investment holding
Huifang Investment Limited ("Huifang Investment")	Hong Kong	5 December 2011	Limited company	1 share of US\$1	—	100%	investment holding
Suzhou Huifang Technology Company Limited ("Huifang Technology")	Mainland China	29 December 2011	Limited company	US\$96,100,000/ US\$98,100,000	—	100%	investment holding
Suzhou Huifang Tongda Information Technology Company Limited ("Huifang Tongda")	Mainland China	10 February 2012	Limited company	RMB500,000,000	—	100%	management consulting
Suzhou Huifang Rongda Internet Technology Company Limited ("Huifang Rongda")	Mainland China	8 May 2015	Limited company	RMB27,000,000/ RMB50,000,000	—	100%	management consulting
Suzhou Wuzhong Pawnshop Co., Ltd. ("Wuzhong Pawnshop")	Mainland China	21 December 1999	Limited company	RMB1,000,000,000	—	100%	pawnshop services
Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. ("Dongshan Micro-finance")	Mainland China	26 December 2012	Limited company	RMB300,000,000	—	70%	micro-financing and lending

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

18 SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of Issued and fully paid share capital/registered capital	Interest directly held	Interest indirectly held	Principal activities
Suzhou Huida Commercial Factoring Company Limited ("Huida Factoring")	Mainland China	30 May 2016	Limited company	RMB170,000,000	—	52.94%	factoring services
Suzhou Huifang Jiada Information Technology Company Limited ("Huifang Jiada")	Mainland China	15 December 2016	Limited company	RMB50,000,000	—	100%	technology consulting services
Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership) ("Huifang Rongtong")	Mainland China	1 September 2017	Limited partnership	RMB75,000,000	—	80%	short-term turnover loans
Suzhou Huifang Anda Insurance Agency Company Limited ("Huifang Anda")	Mainland China	16 November 2004	Limited company	RMB2,400,000	—	65%	insurance agency
Suzhou Huifang Supply Chain Management Company Limited ("Huifang Supply Chain")	Mainland China	25 May 2018	Limited company	RMB161,000,000/ RMB400,000,000	—	100%	supply chain management
Sichuan Aomeishu Technology Company Limited ("Sichuan Aomeishu")	Mainland China	17 May 2015	Limited company	RMB2,000,000	—	100%	technology development
Qingdao Wanchen Buliang Property Company Limited ("Qingdao Wanchen")	Mainland China	31 October 2019	Limited company	RMB10,000,000	—	100%	purchase and dispose of non-performing assets
Nanjing Yiling Culture and Art Co., Ltd ("Nanjing Yiling")	Mainland China	8 May 2021	Limited company	RMB55,000,000	—	55%	arts loans
Suzhou Huifang Rongcui Management Consulting Co., Ltd. ("Huifang Rongcui") (a)	Mainland China	29 June 2021	Limited company	RMB24,000,000/ RMB100,000,000	—	90%	equity investment
Changsha Furong District Huifang Pawnshop Co., Ltd. ("Changsha Pawnshop")	Mainland China	9 December 2021	Limited company	RMB50,000,000	—	100%	pawnshop services

- (a) On 21 June 2022, the Group and the non-controlling shareholders invested RMB8.1 million and RMB0.9 million respectively in Huifang Rongcui.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

19 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Current income tax	8,875	7,469
Deferred income tax	3,524	4,614
	12,399	12,083

The difference between the actual income tax charge in the interim condensed consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Profit before income tax	40,891	35,147
Tax calculated at domestic tax rates applicable to profits in the respective area	10,418	9,174
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	41	147
— Investment income attributable to non-controlling interests	(951)	(101)
— Cash dividends of listed equity securities	—	(395)
— Sundry items	108	82
Subtotal	9,616	8,907
Adjustment for current tax of prior years	105	(349)
Unused tax losses for which no deferred tax asset has been recognized	634	1,108
Previously unrecognised tax losses now recouped to reduce current tax expense	(232)	—
PRC withholding tax	2,276	2,417
Tax charge	12,399	12,083

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19 INCOME TAX EXPENSE (Continued)

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in the British Virgin Islands are not subject to any income tax according to relevant rules and regulations.

The applicable Hong Kong profits tax rate is 16.5% on the assessable profits earned or derived in Hong Kong for the six months ended 30 June 2022 (2021: same).

According to the Corporate Income Tax Law of the PRC (the "CIT Law"), the income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing legislations, interpretations and practices.

For small and micro enterprises with annual taxable income less than RMB1 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 12.5% of the taxable income amount, and for those with annual taxable income more than RMB1 million but less than RMB3 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 25% of the taxable income amount.

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

20 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021.

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Profit attributable to owners of the Company (RMB'000)	18,149	14,776
Weighted average number of ordinary shares in issue (in thousands)	1,090,335	1,087,771
Basic earnings per share (RMB Yuan)	0.017	0.014

(b) Diluted earnings per share

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Profit attributable to owners of the Company (RMB'000)	18,149	14,776
Weighted average number of ordinary shares in issue (in thousands)	1,090,335	1,087,771
Adjustments for:		
— Share options (in thousands)	—	10,610
	1,090,335	1,098,381
Dilutive earnings per share (in RMB)	0.017	0.013

21 DIVIDENDS

A dividend of HK\$0.04 per ordinary share in respect of the year ended 31 December 2021 was declared at the annual general meeting ("AGM") of the Company held on 26 May 2022. It was determined that such dividend would be paid out of the retained earnings account. Based on the total number of ordinary shares of 1,090,335 thousand outstanding on 31 December 2021, a total dividend of HK\$43.6 million (equivalent to RMB37.3 million) was paid out by the Company on 15 June 2022 (2021: No dividends were declared or paid).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
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22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Vehicles	Electronics and other equipment	Total
Cost				
At 1 January 2022	51,484	367	5,272	57,123
Additions	—	—	2,001	2,001
Disposals	—	—	—	—
At 30 June 2022	51,484	367	7,273	59,124
Accumulated depreciation				
At 1 January 2022	—	(22)	(3,827)	(3,849)
Additions	(448)	(44)	(346)	(838)
Disposals	—	—	—	—
At 30 June 2022	(448)	(66)	(4,173)	(4,687)
Carrying amount				
At 30 June 2022	51,036	301	3,100	54,437

23 LEASES

This note provides information for leases where the Group is a lessee.

	As at 30 June 2022 Unaudited	As at 31 December 2021 Audited
Right-of-use assets		
Land-use rights (a)	12,431	12,602
Properties	6,721	8,301
	19,152	20,903
Lease liabilities		
Current	2,508	2,913
Non-current	3,782	4,540
	6,290	7,453

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
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23 LEASES (Continued)

- (a) As at 30 June 2022, land-use rights are pledged with banks to secure non-current bank borrowings with principal amount of RMB197.0 million (31 December 2021: RMB89.4 million) which is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building (Note 36).

The movement of right-of-use assets as follow.

Unaudited	Land-use rights	Property	Total
Cost			
At 1 January 2022	15,246	21,050	36,296
Additions	—	—	—
Less	—	—	—
At 30 June 2022	15,246	21,050	36,296
Accumulated depreciation			
At 1 January 2022	(2,644)	(12,749)	(15,393)
Additions	(171)	(1,580)	(1,751)
Less	—	—	—
At 30 June 2022	(2,815)	(14,329)	(17,144)
Carrying amount			
At 30 June 2022	12,431	6,721	19,152
At 1 January 2022	12,602	8,301	20,903

For short-term lease and low-value asset lease, the Group chooses not to recognize the right-of-use assets and lease liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 4 June 2018, the Group acquired 7.5% of the equity interests in Shenzhen Zuanying Internet Co., Ltd., for a cash consideration of RMB1.5 million.

The Group invested RMB16.0 million to set up Suzhou Cibe Management Consulting partnership (LP) (“Suzhou Cibe”) together with another party and obtained 90% of the equity interest of Suzhou Cibe in 2021. During the six months ended 30 June 2022, the Group and the general partner invested RMB13.5 million and RMB1.5 million respectively in Suzhou Cibe.

According to the Partnership Agreement, the operating decisions of the partnership shall be unanimously agreed by both partners. Therefore, the Group has significant influence over Suzhou Cibe and the investment is accounted for using the equity method of accounting.

The carrying amount of equity-accounted investments has changed as follows in the six months ended 30 June 2022:

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
At 1 January	17,475	1,500
Additions	13,490	10,130
Profit or loss for the period	—	—
At 30 June	30,965	11,630

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

25 INVESTMENT PROPERTIES

	Six months ended 30 June 2022 Unaudited		
	Zhonghui Financial Building (a)(b)	Other	Total
At fair value			
At 1 January	202,018	1,680	203,698
At 30 June	202,018	1,680	203,698

	Six months ended 30 June 2021 Unaudited		
	Zhonghui Financial Building	Other	Total
At fair value			
At 1 January	—	1,621	1,621
Capitalized subsequent expenditure	—	59	59
At 30 June	—	1,680	1,680

- (a) The investment property is a self-constructed building, named Zhonghui Financial Building. The construction of the building started in January 2020 and was completed in December 2021. Part of the building is held by the Group for long-term rental yields through renting it to external parties as commercial and office property, and is measured at fair value. The fair value of the building as at 30 June 2022 almost has no change from 31 December 2021. Detailed information about the valuation and unobservable inputs is set out in Note 5.3.
- (b) As at 30 June 2022, the investment property named Zhonghui Financial Building, is pledged with banks to secure non-current bank borrowings with principal amount of RMB197.0 million (31 December 2021: RMB89.4 million) which is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building (Note 36).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

26 INTANGIBLE ASSETS

Unaudited	Computer software	Licenses	Total
At 31 December 2021			
Cost	3,132	3,294	6,426
Accumulated amortization and impairment	(1,827)	(2,361)	(4,188)
Net book amount	1,305	933	2,238
Six months ended 30 June 2022			
Opening net book amount	1,305	933	2,238
Additions	101	—	101
Amortization charge	(285)	(329)	(614)
Closing net book amount	1,121	604	1,725
At 30 June 2022			
Cost	3,233	3,294	6,527
Accumulated amortization and impairment	(2,112)	(2,690)	(4,802)
Net book amount	1,121	604	1,725

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

27 DEFERRED INCOME TAX

(a) Deferred tax assets

	30 June 2022 Unaudited	31 December 2021 Audited
The balance comprises temporary differences attributable to:		
ECL allowances charge on financial assets	84,519	87,048
Net loss from financial instruments at fair value through profit or loss	1,900	2,944
Recoverable tax losses	5,117	5,068
Total deferred tax assets	91,536	95,060
Offsetting of deferred tax liabilities pursuant to off-setting provisions	(6,901)	(5,178)
Net deferred tax assets	84,635	89,882

The movement in deferred income tax assets for the six months ended 30 June 2022, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred income tax assets	ECL allowances charge on financial assets	Net (gains)/loss from financial instruments at fair value through profit or loss	Recoverable tax losses	Share-based payments	Total
At 1 January 2021	79,746	5,616	1,382	1,000	87,744
(Charged)/Credited to the consolidated statement of comprehensive income	(4,114)	(500)	—	—	(4,614)
At 30 June 2021	75,632	5,116	1,382	1,000	83,130
At 1 January 2022	87,048	2,944	5,068	—	95,060
(Charged)/Credited to the consolidated statement of comprehensive income	(2,529)	(1,044)	49	—	(3,524)
At 30 June 2022	84,519	1,900	5,117	—	91,536

As at 30 June 2022, it is estimated that deferred income tax assets will be reversed over one year (31 December 2021: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

27 DEFERRED INCOME TAX (Continued)

(b) Deferred tax liabilities

	30 June 2022 Unaudited	31 December 2021 Audited
The balance comprises temporary differences attributable to:		
Investment properties	27,605	27,605
Total deferred tax liabilities	27,605	27,605
Offsetting of deferred tax assets pursuant to off-setting provisions	(6,901)	(5,178)
Net deferred tax liabilities	20,704	22,427

The movement in deferred income tax liabilities for the six months ended 30 June 2022, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Investment properties Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Deferred income tax liabilities		
At 1 January	27,605	—
Charged to the consolidated statement of comprehensive income	—	—
At 30 June	27,605	—

As at 30 June 2022, it is estimated that deferred income tax liabilities will be reversed over one year (31 December 2021: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

28 INVENTORIES

	30 June 2022 Unaudited	31 December 2021 Audited
Consumer Goods	884	17,707

29 OTHER CURRENT ASSETS

	30 June 2022 Unaudited	31 December 2021 Audited
Repossessed assets	10,531	15,171
Advances to suppliers	29,637	11,079
Other receivables, net	19,656	13,295
<i>Other receivables, gross</i>	20,762	14,246
<i>Less: ECL allowances</i>	(1,106)	(951)
	59,824	39,545

30 LOANS TO CUSTOMERS

Non-current	30 June 2022 Unaudited	31 December 2021 Audited
Loans to customers, gross		
Unsecured loans	225,508	207,542
— <i>Guaranteed loans</i>	225,508	207,542
Less: ECL allowances	(5,449)	(4,549)
Loans to customers, net	220,059	202,993

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

30 LOANS TO CUSTOMERS (Continued)

Current	30 June 2022 Unaudited	31 December 2021 Audited
Loans to customers, gross		
Secured loans	1,462,046	1,398,366
— Real estate backed loans	1,240,563	1,253,726
— Personal property backed loans	221,483	144,640
Unsecured loans	920,486	853,650
— Equity interest backed loans	464,072	465,319
— Guaranteed loans	230,586	227,288
— Other unsecured loans	225,828	161,043
	2,382,532	2,252,016
Less: ECL allowances		
Secured loans	(457,810)	(389,812)
Unsecured loans	(214,819)	(250,120)
	(672,629)	(639,932)
Loans to customers, net	1,709,903	1,612,084

Loans to customers arise from the Group's lending services. The current loan periods granted to customers are within one year. The terms of non-current loans granted to customers are between two to five years.

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.0% to 24.0% per annum in the six months ended 30 June 2022 (2021:same). Guaranteed loans granted to customers bear fixed interest rates from 5.5% to 18.0% per annum for the six months ended 30 June 2022 (2021: from 5.5% to 25.2%). Other unsecured loans granted to customers bear fixed interest rates from 3.8% to 16.0% per annum for the six months ended 30 June 2022 (2021: from 3.8% to 17.0%).

As at 30 June 2022, renewed loans amount to RMB242.1 million (31 December 2021: RMB245.8 million), which include real estate backed loans, equity interest backed loans and guaranteed loans (31 December 2021: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

30 LOANS TO CUSTOMERS (Continued)

(a) Aging analysis of loans to customers

The aging of the loans to customers is calculated starting from the original granting date without considering the subsequent renewal of the loans. The aging analysis of loans to customers net of ECL allowances are set out below:

Non-current	As at 30 June 2022		
	Secured loans to customers	Unsecured loans to customers	Total
Unaudited			
Within 3 months	—	22,360	22,360
3–6 months	—	2,953	2,953
6–12 months	—	105,585	105,585
12–24 months	—	39,011	39,011
Over 24 months	—	50,150	50,150
	—	220,059	220,059
Current	As at 30 June 2022		
Unaudited	Secured loans to customers	Unsecured loans to customers	Total
Within 3 months	225,408	295,782	521,190
3–6 months	106,482	212,938	319,420
6–12 months	200,911	95,202	296,113
12–24 months	42,051	32,016	74,067
Over 24 months	6,935	46,933	53,868
Past due (i)	422,449	22,796	445,245
	1,004,236	705,667	1,709,903
Non-current	As at 31 December 2021		
Audited	Secured loans to customers	Unsecured loans to customers	Total
Within 3 months	—	53,787	53,787
3–6 months	—	54,099	54,099
6–12 months	—	24,572	24,572
12–24 months	—	70,535	70,535
	—	202,993	202,993

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

30 LOANS TO CUSTOMERS (Continued)

(a) Aging analysis of loans to customers (Continued)

Current	As at 31 December 2021		Total
	Secured loans to customers	Unsecured loans to customers	
Audited			
Within 3 months	182,166	309,347	491,513
3–6 months	167,158	71,811	238,969
6–12 months	151,595	129,185	280,780
12–24 months	13,024	66,207	79,231
Over 24 months	758	—	758
Past due (i)	493,853	26,980	520,833
	1,008,554	603,530	1,612,084

(i) Past due loans to customers net of ECL allowances

Unaudited	As at 30 June 2022		Total
	Secured loans to customers	Unsecured loans to customers	
Past due within three months	29,759	9,251	39,010
Past due between three months and one year	45,127	9,198	54,325
Past due between one year and three years	31,113	—	31,113
Past due over three years	316,450	4,347	320,797
	422,449	22,796	445,245

Audited	As at 31 December 2021		Total
	Secured loans to customers	Unsecured loans to customers	
Past due within three months	47,432	11,768	59,200
Past due between three months and one year	23,054	—	23,054
Past due between one year and three years	28,629	11,903	40,532
Past due over three years	394,738	3,309	398,047
	493,853	26,980	520,833

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

30 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers

The following tables explain the changes in loss allowances for the six months ended 30 June 2022 due to these factors:

Non-current Unsecured loans Unaudited	Six months ended 30 June 2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Loss allowances as at 31 December 2021	4,549	—	—	4,549
New loans to customers originated	558	—	—	558
Changes in PDs/LGDs/EADs	648	—	—	648
Loans to customers derecognized during the period other than write-offs	(306)	—	—	(306)
Loss allowances as at 30 June 2022	5,449	—	—	5,449

Current Secured loans Unaudited	Six months ended 30 June 2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Loss allowances as at 31 December 2021	7,516	10,876	371,420	389,812
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(1,039)	16,366	—	15,327
<i>Transfers from Stage 2 to Stage 3</i>	—	(16,398)	27,472	11,074
New loans to customers originated	5,887	—	—	5,887
Changes in PDs/LGDs/EADs	172	(647)	41,870	41,395
Unwind of discount	—	—	7,457	7,457
Loans to customers derecognized during the period other than write-offs	(4,094)	(2,935)	(6,113)	(13,142)
Loss allowances as at 30 June 2022	8,442	7,262	442,106	457,810

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

30 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers (Continued)

Current Unsecured loans Unaudited	Six months ended 30 June 2022			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2021	18,501	2,812	228,807	250,120
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(363)	4,063	—	3,700
<i>Transfers from Stage 2 to Stage 3</i>	—	(4,196)	7,248	3,052
New loans to customers originated	80,322	—	—	80,322
Changes in PDs/LGDs/EADs	(6,374)	(104)	(18,132)	(24,610)
Unwind of discount	—	—	40	40
Loans to customers derecognized during the period other than write-offs	(68,882)	—	(28,923)	(97,805)
Loss allowances as at 30 June 2022	23,204	2,575	189,040	214,819

Non-current Unsecured loans Audited	Year ended 31 December 2021			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2020	4,570	—	—	4,570
New loans to customers originated	5,172	—	—	5,172
Changes in PDs/LGDs/EADs	(3,546)	—	—	(3,546)
Loans to customers derecognized during the year other than write-offs	(1,647)	—	—	(1,647)
Loss allowances as at 31 December 2021	4,549	—	—	4,549

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

30 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers (Continued)

Current Secured loans	Year ended 31 December 2021			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Audited				
Loss allowances as at 31 December 2020	5,011	2,160	356,576	363,747
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(1,119)	31,871	—	30,752
<i>Transfers from Stage 2 to Stage 3</i>	—	(20,031)	31,352	11,321
New loans to customers originated	11,732	—	—	11,732
Changes in PDs/LGDs/EADs	332	2,304	50,252	52,888
Unwind of discount	—	—	9,750	9,750
Loans to customers derecognized during the year other than write-offs	(8,440)	(5,428)	(25,901)	(39,769)
Write-offs	—	—	(50,609)	(50,609)
Loss allowances as at 31 December 2021	7,516	10,876	371,420	389,812
Current Unsecured loans	Year ended 31 December 2021			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Audited				
Loss allowances as at 31 December 2020	24,272	—	211,081	235,353
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(883)	6,383	—	5,500
<i>Transfers from Stage 2 to Stage 3</i>	—	(4,175)	11,357	7,182
New loans to customers originated	82,925	—	—	82,925
Changes in PDs/LGDs/EADs	(1,242)	611	30,543	29,912
Unwind of discount	—	—	4,837	4,837
Loans to customers derecognized during the year other than write-offs	(86,571)	(7)	(8,858)	(95,436)
Write-offs	—	—	(20,153)	(20,153)
Loss allowances as at 31 December 2021	18,501	2,812	228,807	250,120

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

30 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances

The following table explains changes in the gross carrying amount of the loans to customers that help explain their significance to the changes in the ECL allowances for loans to customers:

Non-current Unsecured loans Unaudited	Six months ended 30 June 2022			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2021	207,542	—	—	207,542
Loans to customers derecognized during the period other than write-offs	(8,000)	—	—	(8,000)
New loans to customers originated	26,000	—	—	26,000
Changes in interest accrual	(34)	—	—	(34)
Gross carrying amount as at 30 June 2022	225,508	—	—	225,508
Current Secured loans Unaudited	Six months ended 30 June 2022			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2021	538,408	42,118	817,840	1,398,366
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(66,847)	66,847	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(63,220)	63,220	—
Loans to customers derecognized during the period other than write-offs	(320,991)	(11,754)	(77,043)	(409,788)
New loans to customers originated	436,534	—	—	436,534
Changes in interest accrual	6,613	(458)	30,779	36,934
Gross carrying amount as at 30 June 2022	593,717	33,533	834,796	1,462,046

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
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30 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances (Continued)

Current Unsecured loans Unaudited	Six months ended 30 June 2022			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2021	602,834	6,797	244,019	853,650
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(12,541)	12,541	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(15,311)	15,311	—
Loans to customers derecognized during the period other than write-offs	(2,432,255)	—	(44,096)	(2,476,351)
New loans to customers originated	2,539,838	—	—	2,539,838
Changes in interest accrual	13,279	1,741	(12,649)	2,371
FX and other movements	978	—	—	978
Gross carrying amount as at 30 June 2022	712,133	5,768	202,585	920,486
Non-current Unsecured loans Audited	Year ended 31 December 2021			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2020	115,332	—	—	115,332
Loans to customers derecognized during the year other than write-offs	(43,000)	—	—	(43,000)
New loans to customers originated	135,000	—	—	135,000
Changes in interest accrual	210	—	—	210
Gross carrying amount as at 31 December 2021	207,542	—	—	207,542

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
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30 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances (Continued)

Current Secured loans	Year ended 31 December 2021			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Audited				
Gross carrying amount as at 31 December 2020	386,444	9,447	870,605	1,266,496
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(117,814)	117,814	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(60,584)	60,584	—
Loans to customers derecognized during the year other than write-offs	(698,368)	(25,573)	(93,696)	(817,637)
New loans to customers originated	962,799	—	—	962,799
Changes in interest accrual	5,347	1,014	30,956	37,317
Write-offs	—	—	(50,609)	(50,609)
Gross carrying amount as at 31 December 2021	538,408	42,118	817,840	1,398,366
Current Unsecured loans	Year ended 31 December 2021			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Audited				
Gross carrying amount as at 31 December 2020	774,843	—	261,210	1,036,053
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(26,702)	26,702	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(20,194)	20,194	—
Loans to customers derecognized during the year other than write-offs	(3,608,168)	(8)	(19,004)	(3,627,180)
New loans to customers originated	3,461,892	—	—	3,461,892
Changes in interest accrual	871	297	1,772	2,940
Write-offs	—	—	(20,153)	(20,153)
FX and other movements	98	—	—	98
Gross carrying amount as at 31 December 2021	602,834	6,797	244,019	853,650

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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31 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 Unaudited	31 December 2021 Audited
Equity securities	36,026	31,748
Structured deposits (a)	50,530	61,295
	86,556	93,043

- (a) The interest rates of structured deposits are related to the foreign exchange rates.
- (b) As at 30 June 2022, structured deposits with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) have been pledged with banks to secure borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) (Note 36).

32 CASH AT BANK AND CASH ON HAND

	30 June 2022 Unaudited	31 December 2021 Audited
Cash on hand	915	1,020
Demand deposits with banks	185,890	233,368
Deposits with securities company	1,657	393
Interest receivable from bank deposits	1,691	4,340
Term deposits with banks with original maturities over 3 months, net	184,075	244,226
<i>Term deposits with banks with original maturities over 3 months, gross</i>	184,239	244,390
<i>Less: ECL allowances</i>	(164)	(164)
	374,228	483,347

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

32 CASH AT BANK AND CASH ON HAND (Continued)

Cash at bank and cash on hand are denominated in the following currencies:

	30 June 2022 Unaudited	31 December 2021 Audited
RMB	362,511	471,512
US dollar	8,398	7,915
Hong Kong dollar	3,319	3,920
	374,228	483,347

Cash and cash equivalents of the Group are determined as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Cash at bank and cash on hand	374,228	483,347
Less: Unrestricted term deposits with banks with original maturities over 3 months	—	(10,000)
Interest receivable from bank deposits	(1,691)	(4,340)
Restricted term deposits pledged with banks	(184,075)	(234,226)
	188,462	234,781

As at 30 June 2022, restricted term deposits of RMB184.0 million (31 December 2021: RMB234.2 million) are pledged with banks to secure bank borrowings with principal amount of RMB175.3 million (31 December 2021: RMB222.0 million) (Note 36).

33 SHARE CAPITAL

	Number of shares	Ordinary shares HK\$	Ordinary shares RMB
Issued and fully paid:			
As at 30 June 2022	1,090,335,000	10,903,350	8,662,017
As at 31 December 2021	1,090,335,000	10,903,350	8,662,017

There are no movements in ordinary shares during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts in RMB thousands unless otherwise stated)

34 SHARE PREMIUM AND OTHER RESERVES

	Other reserves					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	
At 1 January 2021	602,728	504,658	77,715	4,417	6,984	1,196,502
Issue of ordinary shares under employee share scheme (a)	1	—	—	—	—	1
At 30 June 2021	602,729	504,658	77,715	4,417	6,984	1,196,503
At 1 January 2022	604,478	504,457	77,715	4,417	6,533	1,197,600
Issue of ordinary shares under employee share scheme (a)	—	—	—	—	—	—
At 30 June 2022	604,478	504,457	77,715	4,417	6,533	1,197,600

(a) Share-based payments

The Group approved on 13 September 2016 to grant of share options to enable eligible participants as incentives or rewards for their contribution or potential contribution. The options have a contractual option term of five years expired on 12 September 2021. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

For the six months ended 30 June 2022, no ordinary shares are issued by the Company in connection with share-based payments scheme.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
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34 SHARE PREMIUM AND OTHER RESERVES (Continued)

(a) Share-based payments (Continued)

For the six months ended 30 June 2021, the Company issues 2,000 ordinary shares in connection with the exercised options under the share-based payments scheme. Consideration received amounts to HK\$1.2 thousand (equivalent to approximately RMB1.0 thousand). The excess of RMB1.0 thousand over the par value of RMB0.02 thousand, plus transfer-in amount of RMB0.4 thousand previously recognized in share-based payments reserve, is credited to “share premium” with a total amount of RMB1.4 thousand. Set below are summaries of options granted and forfeited under the plan for the six months ended 30 June 2021:

Unaudited	Six months ended 30 June 2021	
	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January	0.62	25,269
Granted	—	—
Exercised	0.62	(2)
Forfeited	—	—
At 30 June	0.62	25,267
Vested and exercisable as at 30 June 2021	0.62	25,267

35 OTHER CURRENT LIABILITIES

	30 June 2022 Unaudited	31 December 2021 Audited
Construction payables	39,799	51,114
Advance from transferee of financial assets	10,840	2,762
Redemption deposit	10,430	4,990
Accrued employee benefits	4,219	7,106
Turnover tax and other tax payable	3,064	1,746
Provisions to financial guarantees	514	1,873
Advances on sales	—	5,303
Other financial liabilities	10,968	8,463
	79,834	83,357

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts in RMB thousands unless otherwise stated)

36 BORROWINGS

	30 June 2022 Unaudited	31 December 2021 Audited
Non-current		
Bank borrowings (a)	197,000	89,380
Current		
Bank borrowings (b)	446,536	506,280
	643,536	595,660

The Group's borrowings are all denominated in RMB.

- (a) As at 30 June 2022, non-current bank borrowing with principal amount of RMB197.0 million is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building. The borrowing is repaid in the scheduled instalments within 12 years and bears floating interest rate of the 5-year Loan Prime Rate plus 35 bps. The borrowing is secured by the Zhonghui Financial Building. (31 December 2021: non-current bank borrowing with principal amount of RMB89.4 million is borrowed specifically for the construction of Zhonghui Financial Building. The borrowing is repaid in a scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Jiangsu Wuzhong Group Co., Ltd. ("Wuzhong Group")). As at 30 June 2022, there are no undrawn bank borrowing facilities (31 December 2021: the undrawn bank borrowing facilities are RMB4.1 million) (Note 25).
- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.5% to 5.5% per annum as at 30 June 2022 (31 December 2021: fixed rate from 3.4% to 5.5%).

As at 30 June 2022, bank borrowings with principal amount of RMB175.3 million (31 December 2021: RMB222.0 million) are secured by restricted term deposits of RMB184.0 million (31 December 2021: RMB234.2 million) (Note 32).

As at 30 June 2022, bank borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) are secured by structured deposits of RMB49.5 million (31 December 2021: RMB59.5 million).

As at 30 June 2022, bank borrowings with principal amount of RMB90.1 million (31 December 2021: RMB120.2 million) are guaranteed by Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) ("Wuzhong Jiaye") and the Ultimate Shareholders (Note 39(b)).

As at 30 June 2022, bank borrowings with principal amount of RMB40.0 million are guaranteed by Wuzhong Group (31 December 2021: nil) (Note 39(b)).

As at 30 June 2022, no bank borrowings are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. (31 December 2021: RMB30.0 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

37 CONTINGENCIES

As at 30 June 2022, the Group did not have any significant contingent liabilities except for the Group's normal guarantee business in the amount of RMB15.8 million (31 December 2021: RMB47.0 million).

38 COMMITMENTS

(a) Capital commitments

	30 June 2022 Unaudited	31 December 2021 Audited
Suzhou Cibe Management Consulting Partnership (LP) ("Suzhou Cibe") (a)	15,535	29,025
Suzhou Qianrong Yuanfeng Venture Capital Partnership (LP) ("Suzhou Qianrong") (b)	14,000	—
Suzhou Huifang Tongcui Enterprise Management Consulting Partnership (LP) ("Huifang Tongcui") (c)	12,000	—
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) ("Zhongxin Hengyuan") (d)	2,000	5,000
	43,535	34,025

- (a) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB15.5 million has not been paid by the Group as at 30 June 2022 (31 December 2021: RMB29.0 million).
- (b) The committed investment injection to Suzhou Qianrong is RMB20.0 million, of which RMB14.0 million has not been paid by the Group as at 30 June 2022 (31 December 2021: nil).
- (c) The committed capital injection to Huifang Tongcui is RMB12.0 million, which has not been paid by the Group as at 30 June 2022 (31 December 2021: nil).
- (d) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million has not been paid by the Group as at 30 June 2022 (31 December 2021: RMB5.0 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

39 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions of the Group. Parties are also considered to be related if they are subject to common control. Members of directors, key management and their close family member are also considered as related parties.

Names of related parties	Nature of relationship
Wuzhong Jiaye	Direct equity holder of Wuzhong Pawnshop and controlled by the Ultimate Shareholders
Wuzhong Group	Controlled by the Ultimate Shareholders
Jiangsu Wuzhong Real Estate Group Co., Ltd. (江蘇吳中地產集團有限公司) (“Wuzhong Real Estate”)	A related party controlled by Wuzhong Group
Wuzhong America Services for Cultural Education and Communication Ltd (“Wuzhong America”)	A related party controlled by Wuzhong Group
BVI companies wholly owned by the Ultimate Shareholders (“BVI entities owned by the Ultimate Shareholders”)	Related parties controlled by the Ultimate shareholders
Tricor Services Limited (卓佳專業商務有限公司) (“Tricor”)	Company Secretary
Shenzhen Zuanying Internet Co., Ltd. (深圳鑽盈互聯網有限公司) (“Shenzhen Zuanying”)	Associate of the Group
Suzhou Cibe Management Consulting partnership (LP) (蘇州次貝企業管理諮詢合夥企業(有限合夥)) (“Suzhou Cibe”)	Associate of the Group
Suzhou Huiying Precious Metals Co., Ltd. (“蘇州匯盈貴金屬有限公司”) (“Huiying Precious Metals”)	Related parties controlled by the Ultimate Shareholders

(b) Significant transactions with related parties

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Bank borrowings guaranteed by Wuzhong Jiaye and Ultimate Shareholders (in principal amount at period end) (Note 36(b))	90,122	120,000
Bank borrowings guaranteed by Wuzhong Group (in principal amount at period end) (Note 36(b))	40,000	95,380
Borrowings from microfinance companies guaranteed by Wuzhong Group (in principal amount at period end)	—	3,000
Interest expenses paid to Wuzhong Group	—	200

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022
(All amounts in RMB thousands unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	30 June 2022 Unaudited	31 December 2021 Audited
Amounts due to related parties		
Due to BVI entities owned by the Ultimate Shareholders	633	633

(d) Key management personnel compensation

Key management comprises six members including the executive directors, the vice president, the assistant to the president and the chief risk officer. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Basic salaries	1,378	1,018
Discretionary bonuses	1,605	1,075
Pension and other social security obligations	234	382
	3,217	2,475

As at 30 June 2022, there is no balance of loan to customer or borrowings held by directors or key management (31 December 2021: same).

(e) Key management personnel services provided by management entity

For the six months ended 30 June 2022, the Group paid RMB207 thousand to Tricor Services Limited for the company secretary services (2021: RMB146 thousand).

In this interim report, unless the context otherwise requires, the following terms shall have the meaning set out below.

“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of directors of our Company
“CG Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Changsha Pawnshop”	Changsha Furong District Huifang Pawnshop Co., Ltd.* (長沙市芙蓉區匯方典當有限責任公司), a limited liability company established in the PRC on 9 December 2021, which is an indirect wholly-owned subsidiary of our Company
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
“Company” or “our Company”	China Huirong Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 11 November 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“Contractual Arrangements”	a series of contracts entered into by Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be), details of which are described in the section headed “Our History and Reorganisation — Contractual Arrangements” in the prospectus of the Company dated 16 October 2013
“Director(s)”	the director(s) of our Company
“Dongshan Micro-finance”	Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州市吳中區東山農村小額貸款有限公司), a limited liability company established in the PRC on 26 December 2012, which is an indirect holding subsidiary of our Company
“EIT Law”	the Enterprise Income Tax Law of the People’s Republic of China
“Global Offering” or “IPO”	the Hong Kong public offering and the international offering of Shares
“Group”, “our Group”, “we”, “our” or “us”	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as the subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
“Hengyue Consulting”	Suzhou Xinqu Hengyue Management Consulting Co., Ltd.* (蘇州新區恆悅管理諮詢有限公司), a limited liability company established under the laws of the PRC on 22 October 2007, one of the direct shareholders of the PRC Operating Entity
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huida Factoring”	Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司), a limited liability company established in the PRC on 30 May 2016, which is an indirect holding subsidiary of our Company
“Huifang Anda”	Suzhou Huifang Anda Insurance Agency Company Limited* (蘇州匯方安達保險代理有限公司), a limited liability company established in the PRC on 16 November 2004, formerly known as Nanjing Shun’an Insurance Agency Company Limited* (南京舜安保險代理有限公司), which is an indirect holding subsidiary of our Company
“Huifang Rongcui”	Suzhou Huifang Rongcui Management Consulting Co., Ltd.* (蘇州匯方融萃企業管理諮詢有限公司), a limited liability company established in the PRC on 29 June 2021, which is an indirect holding subsidiary of our Company
“Huifang Jiada”	Suzhou Huifang Jiada Information Technology Company Limited* (蘇州匯方嘉達資訊科技有限公司), a limited liability company established in the PRC on 15 December 2016, which is an indirect wholly-owned subsidiary of our Company
“Huifang Rongda”	Suzhou Huifang Rongda Internet Technology Company Limited* (蘇州匯方融達網路科技有限公司), a limited liability company established in the PRC on 8 May 2015, which is an indirect wholly-owned subsidiary of our Company
“Huifang Rongtong”	Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)), a limited partnership company established in the PRC on 1 September 2017, which is an indirect holding subsidiary of our Company
“Huifang Supply Chain”	Suzhou Huifang Supply Chain Management Co., Ltd.* (蘇州市匯方供應鏈管理有限公司), a limited liability company established in the PRC on 25 May 2018, which is an indirect wholly-owned subsidiary of our Company
“Huifang Technology”	Suzhou Huifang Management Consulting Co., Ltd.* (蘇州匯方管理諮詢有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 29 December 2011, which is an indirect wholly-owned subsidiary of our Company. On 12 December 2013, the name of Suzhou Huifang Management Consulting Co. Ltd.* (蘇州匯方管理諮詢有限公司) was changed to Suzhou Huifang Technology Co. Ltd.* (蘇州匯方科技有限公司) upon the approval from Administration for Industry and Commercial of Suzhou, Jiangsu
“Huifang Tongcui”	Suzhou Huifang Tongcui Enterprise Management Consulting Partnership (Limited Partnership)* (蘇州匯方同萃企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 23 May 2022, which is an indirect holding subsidiary of our Company
“Huifang Investment”	Huifang Investment Limited* (匯方投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 5 December 2011 and a wholly-owned subsidiary of our Company

“Huifang Tongda”	Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司), a limited liability company established in the PRC on 10 February 2012 which is an indirect wholly-owned subsidiary of our Company. On 11 December 2013, the name of Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司) was changed to Suzhou Huifang Tongda Information Technology Company Ltd* (蘇州匯方同達信息科技有限公司) upon the approval from Administration for Industry and Commercial of Wuzhong, Suzhou
“Qingdao Wanchen”	Qingdao Wanchen Buliang Property Company Limited* (青島萬宸不良資產處置有限公司), a limited liability company established in the PRC on 31 October 2019 which is an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nanjing Yiling”	Nanjing Yiling Culture and Art Co., Ltd.* (南京藝瓴文化藝術有限公司), a limited liability company established in the PRC on 8 May 2021, which is an indirect holding subsidiary of our Company
“PRC Operating Entity” or “Wuzhong Pawnshop”	Suzhou Wuzhong Pawnshop Co., Ltd.* (蘇州市吳中典當有限責任公司), a limited liability company established under the laws of the PRC on 21 December 1999, formerly known as 吳縣市吳中典當行有限公司 (Wuxian Wuzhong Pawnshop Co., Ltd.*), a company which we do not own but the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements
“PRC Shareholders”	Mr. Zhu Tianxiao, Mr. Zhang Xiangrong, Mr. Ge Jian, Mr. Chen Yannan, Mr. Wei Xingfa, Mr. Yang Wuguan and Mr. Zhuo You, who are the ultimate and indirect shareholders of the Company. Except for Mr. Zhuo You, who was a non-executive director of the Company (retired on 26 May 2022), none of the other PRC Shareholders is a director or chief executive member of the Company
“Reporting Period”	the six months ended 30 June 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary shares(s) in the capital of the Company with normal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)

“Sichuan Aomeishu”	Sichuan Aomeishu Technology Company Ltd* (四川奧美殊科技有限公司), a limited liability company established in the PRC on 17 July 2015, which is an indirect wholly-owned subsidiary of our Company
“Sifang Investment”	Sifang Investment Limited* (四方投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Cibe”	Suzhou Cibe Management Consulting Partnership (LP)* (蘇州次貝企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 16 April 2021, the Company indirectly jointly controls it
“Tongda Investment”	Tongda Investment Limited* (同達投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company with no substantial business activity
“Ultimate Shareholders”	Mr. Zhu Tianxiao (朱天曉), Mr. Zhang Xiangrong (張祥榮), Mr. Ge Jian (葛健), Mr. Chen Yannan (陳雁南), Mr. Wei Xingfa (魏興發), Mr. Yang Wuguan (楊伍官) and Mr. Zhuo You (卓有)
“Wuzhong Group”	Jiangsu Wuzhong Group Co., Ltd.* (江蘇吳中集團有限公司), a limited liability company established under the laws of the PRC on 26 May 1992, formerly known as Jiangsu Wuzhong Group Co.* (江蘇吳中集團公司)
“Wuzhong Jiaye”	Jiangsu Wuzhong Jiaye Group Co., Ltd.* (江蘇吳中嘉業集團有限公司), a limited liability company established under the laws of the PRC on 25 April 2005, formerly known as Jiangsu Wuzhong Jiaye Investment Co., Ltd.* (江蘇吳中嘉業投資有限公司), one of the direct shareholders of the PRC Operating Entity
“Wuzhong Real Estate”	Jiangsu Wuzhong Real Estate Group Co., Ltd.* (江蘇吳中地產集團有限公司), a limited liability company established under the laws of the PRC on 13 August 1992, formerly known as Jiangsu Wuzhong Dongwu Property Development Co.* (江蘇吳中東吳產業開發公司), Wuxian Dongwu Property Development Co.* (吳縣市東吳產業開發公司), and Jiangsu Wuzhong Dongwu Property Development Co., Ltd.* (江蘇吳中東吳產業開發有限公司)

* For identification purpose only

In this interim report, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.