Quanzhou Huixin Micro-credit Co., Ltd.*
泉州匯鑫小額貸款股份有限公司

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

(Stock Code: 1577)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Quanzhou Huixin Micro-credit Co., Ltd.* (the "**Company**") is pleased to announce the unaudited interim results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**", "**we**" or "**our**") for the six months ended 30 June 2023 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2022, prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") promulgated by the Hong Kong Institute of Certified Public Accountants. The Board and the audit committee of the Company (the "**Audit Committee**") have reviewed and confirmed the Interim Results. All amounts set out in this announcement are expressed in Renminbi ("**RMB**") unless otherwise indicated.

INTERIM RESULTS

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

For the six months ended 30 June 2023

(Amounts expressed in RMB unless otherwise stated)

	Notes	**Six months ended 30 June**	
		2023	2022
		(Unaudited)	(Unaudited)
Interest income	*5*	**68,388,908**	68,640,954
Interest expense	*5*	**(284,615)**	(1,690,854)
Interest income, net		**68,104,293**	66,950,100
Impairment losses on loans and accounts receivables, net	*6*	**(13,819,763)**	(12,087,873)
Operating and administrative expenses		**(10,208,452)**	(11,981,396)
Foreign exchange gain		**235,081**	257,951
Net gains/(losses) on financial assets	*7*	**7,823,171**	(12,512,676)
Provision for a contingent liability	*8*	**(116,531)**	(220,175)
Other income and gains, net	*9*	**4,226,920**	3,941,853
PROFIT BEFORE TAX	*10*	**56,244,719**	34,347,784
Income tax expense	*11*	**(13,451,577)**	(8,797,075)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**42,793,142**	25,550,709
Attributable to:			
Owners of the parent		**34,826,363**	22,653,848
Non-controlling interests		**7,966,779**	2,896,861
		42,793,142	25,550,709
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*13*		
Basic		**0.05**	0.03
Diluted		**0.05**	0.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

(Amounts expressed in RMB unless otherwise stated)

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
ASSETS			
Cash and cash equivalents	*14*	**81,471,488**	143,268,846
Financial assets at fair value through profit or loss	*15*	**276,948,156**	318,055,706
Loans and accounts receivables	*16*	**890,264,539**	799,393,640
Property and equipment	*17*	**8,927,334**	9,905,120
Right-of-use assets	*18*	**526,834**	1,112,194
Goodwill	*19*	**14,729,281**	14,729,281
Other intangible assets		**350,413**	547,759
Deferred tax assets	*20*	**29,490,297**	27,041,209
Other assets	*21*	**17,305,829**	11,899,959
TOTAL ASSETS		**1,320,014,171**	1,325,953,714
LIABILITIES			
Interest-bearing bank and other borrowings	*22*	**9,650,043**	38,919,190
Financial liabilities at fair value through profit or loss	*23*	**19,144,490**	10,356,339
Lease liabilities	*18*	**591,732**	1,191,218
Income tax payable		**7,633,599**	12,424,076
Provision	*8*	**—**	13,114,258
Deferred tax liabilities	*20*	**852,690**	735,168
Other payables	*24*	**40,987,298**	9,895,288
TOTAL LIABILITIES		**78,859,852**	86,635,537
NET ASSETS		**1,241,154,319**	1,239,318,177
EQUITY			
Equity attributable to owners of the parent			
Share capital	*25*	**680,000,000**	680,000,000
Reserves	*26*	**163,911,582**	162,964,958
Retained profits		**285,195,216**	285,315,477
Equity attributable to owners of the parent		**1,129,106,798**	1,128,280,435
Non-controlling interests		**112,047,521**	111,037,742
TOTAL EQUITY		**1,241,154,319**	1,239,318,177

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

(Amounts expressed in RMB unless otherwise stated)

	For the six months ended 30 June 2023 (Unaudited)							
	Attributable to owners of the parent							
		Reserves						
	Share capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2023 (Audited)	**680,000,000**	**75,390,551**	**69,662,030**	**17,912,377**	**285,315,477**	**1,128,280,435**	**111,037,742**	**1,239,318,177**
Net profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**34,826,363**	**34,826,363**	**7,966,779**	**42,793,142**
Appropriation to general reserve	**—**	**—**	**—**	**946,624**	**(946,624)**	**—**	**—**	**—**
Distribution to shareholders *(Note 12)*	**—**	**—**	**—**	**—**	**(34,000,000)**	**(34,000,000)**	**(6,957,000)**	**(40,957,000)**
Balance as at 30 June 2023 (Unaudited)	**680,000,000**	**75,390,551**	**69,662,030**	**18,859,001**	**285,195,216**	**1,129,106,798**	**112,047,521**	**1,241,154,319**

	For the six months ended 30 June 2022 (Unaudited)							
	Attributable to owners of the parent							
		Reserves						
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2022 (Audited)	680,000,000	75,390,551	64,963,734	17,801,333	263,424,641	1,101,580,259	105,964,088	1,207,544,347
Net profit and total comprehensive income for the period	—	—	—	—	22,653,848	22,653,848	2,896,861	25,550,709
Distribution to shareholders	—	—	—	—	(34,000,000)	(34,000,000)	—	(34,000,000)
Balance as at 30 June 2022 (Unaudited)	680,000,000	75,390,551	64,963,734	17,801,333	252,078,489	1,090,234,107	108,860,949	1,199,095,056

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

(Amounts expressed in RMB unless otherwise stated)

	Notes	**Six months ended 30 June** **2023** **(Unaudited)**	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**56,244,719**	34,347,784
Adjustments for:			
Unrealised fair value changes in financial instruments at fair value through profit or loss		**4,921,638**	14,710,188
Depreciation of property and equipment		**995,068**	935,413
Depreciation of repossessed assets		**40,536**	40,536
Depreciation of right-of-use assets		**585,360**	296,214
Amortisation of other intangible assets		**248,762**	472,689
Impairment of loans and accounts receivables	*6*	**13,819,763**	12,087,873
Accreted interest on impaired loans		**(8,650,676)**	(8,993,348)
Provision for a contingent liability	*8*	**116,531**	220,175
Foreign exchange gain, net		**(235,081)**	(257,951)
Loss on disposal of a subsidiary	*27*	**602**	—
Interest expense	*5*	**284,615**	1,690,854
		68,371,837	55,550,427
Decrease/(increase) in financial assets at fair value through profit or loss		**45,294,063**	(73,345,062)
(Increase)/decrease in loans and accounts receivables		**(64,859,986)**	122,902,650
Decrease/(increase) in other assets		**6,680,220**	(31,960,066)
(Decrease)/increase in financial liabilities at fair value through profit or loss		**(320,000)**	599,640
(Decrease)/increase in other payables		**(47,313,450)**	5,015,649
Net cash flows from operating activities before tax		**7,852,684**	78,763,238
Income tax paid		**(20,573,620)**	(28,352,021)
Net cash flows (used in)/from operating activities		**(12,720,936)**	50,411,217

	Notes	Six months ended 30 June 2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, other intangible assets and other long-term assets		**(9,524)**	(791,981)
Disposal of a subsidiary	*27*	**(602)**	—
Net cash flows used in investing activities		**(10,126)**	(791,981)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**—**	52,075,265
Repayment of bank borrowings		**(29,432,875)**	(98,852,439)
Interest paid		**(101,725)**	(1,429,419)
Dividends paid to non-controlling shareholders		**(6,957,000)**	—
Principal portion of lease payments		**(618,648)**	(90,046)
Net cash flows used in financing activities	*28*	**(37,110,248)**	(48,296,639)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(49,841,310)**	1,322,597
Cash and cash equivalents at beginning of the period		**131,077,717**	28,706,821
Effect of foreign exchange rate changes, net		**235,081**	257,951
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*14*	**81,471,488**	30,287,369

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

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

During the period, the principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") were the provision of loans to small and medium enterprises ("**SMEs**"), micro-enterprises and entrepreneurial individuals, treasury operation and investment consulting services.

Information about subsidiaries

As at 30 June 2023, the following list contains the particulars of main subsidiaries which affected the results, assets or liabilities of the Group:

Name	Place of incorporation and kind of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company		Principal activities and place of operation
				Direct	Indirect	
Quanzhou Huixinxing Investment Co., Ltd.	Quanzhou, China Corporation	Renminbi ("**RMB**") 50,000,000	RMB 50,000,000	100.0%	—	Investment advisory services, Quanzhou
Quanzhou Lianche Finance Leasing Co., Ltd. ("**Lianche**")	Quanzhou, China Corporation	United States dollars ("**USD**") 10,000,000	USD 10,000,000	—	75.0%	Finance leasing, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd. ("**JJHX**")	Jinjiang, China Corporation	RMB 320,000,000	RMB 320,000,000	76.8%	—	Provision of micro-credit, Jinjiang
Fujian Huishangxing Asset Operation Co., Ltd. (formerly known as: Jinjiang Qiding Building Materials Co., Ltd.)	Jinjiang, China Corporation	RMB 10,000,000	RMB 500,000	—	100.0%	Investment, Jinjiang
Quanzhou Puxia Trading Co., Ltd.	Jinjiang, China Corporation	RMB 10,000,000	—	—	100.0%	Wholesale, Jinjiang
Quanzhou Puji Trading Co., Ltd.	Jinjiang, China Corporation	RMB 1,000,000	—	—	100.0%	Wholesale, Jinjiang

Name	Place of incorporation and kind of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company		Principal activities and place of operation
				Direct	Indirect	
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100.0%	Information technology advisory services, Jinjiang
Fujian Huichangfu Real Estate Agency Co., Ltd.	Jinjiang, China Corporation	RMB 10,000,000	RMB 500,000	—	100.0%	Estate brokerage services, Jinjiang
Xiamen Huihengcheng Trading Co., Ltd. (formerly known as: Xiamen Anshenghe Trading Co., Ltd.)	Xiamen, China Corporation	RMB 5,078,000	RMB 5,078,000	—	100.0%	Wholesale, Xiamen
Jinjiang Huijincheng Investment Consulting Co., Ltd. (formerly known as: Jinjiang Qinyuan Investment Consulting Co., Ltd.)	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100.0%	Management advisory services, Jinjiang

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's policy of determining deferred tax aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. SEGMENT REPORTING

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

Geographical information

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

5. INTEREST INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Interest income on:		
Loans and accounts receivables	**68,388,908**	68,640,954
Interest expense on:		
Bank loans and margin loans	**(265,453)**	(1,637,595)
Lease liabilities	**(19,162)**	(53,259)
Interest income, net	**68,104,293**	66,950,100

6. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLES

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

Six months ended 30 June 2023	**Stage 1 Collective (Unaudited)**	**Stage 2 Collective (Unaudited)**	**Stage 3 (Unaudited)**	**Total (Unaudited)**
Loans and accounts receivables	**474,653**	**(936,058)**	**14,281,168**	**13,819,763**
Total impairment losses	**474,653**	**(936,058)**	**14,281,168**	**13,819,763**

Six months ended 30 June 2022	Stage 1 Collective (Unaudited)	Stage 2 Collective (Unaudited)	Stage 3 (Unaudited)	Total (Unaudited)
Loans and accounts receivables	219,333	(1,589,975)	13,458,515	12,087,873
Total impairment losses	219,333	(1,589,975)	13,458,515	12,087,873

7. NET GAINS/(LOSSES) ON FINANCIAL ASSETS

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Loss on disposal of a subsidiary	**(602)**	—
Dividend and other income	**3,764,735**	2,394,660
Net realised gains/(losses)	**8,980,676**	(197,148)
Financial assets at fair value through profit or loss	**8,980,676**	(197,148)
Unrealised losses	**(4,921,638)**	(14,710,188)
Financial assets at fair value through profit or loss	**4,186,513**	(14,710,188)
Financial liabilities at fair value through profit or loss	**(9,108,151)**	—
Total	**7,823,171**	(12,512,676)

8. PROVISION FOR A CONTINGENT LIABILITY

(a) Provision

	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)
Litigation and arbitration	**—**	13,114,258

(b) Provision for a contingent liability

	Six months ended 30 June 2023 (Unaudited)	For the year ended 31 December 2022 (Audited)
At the beginning of the period	**13,114,258**	12,670,258
Provision for the period	**116,531**	444,000
Paid during the period	**(13,230,789)**	—
At the end of the period	**—**	13,114,258

In April 2019, the Company repossessed a 10% interest in Xiangyu Xinghong Technology Development Co., Ltd. ("**Xiangyu Xinghong**") as a settlement for its non-performing loans with a carrying amount of RMB12.7 million. The interest in Xiangyu Xinghong was designated as a financial asset at fair value through profit or loss.

In November 2020, the Company was one of the defendants in a lawsuit filed by Xiangyu Xinghong that to fulfil its obligation of capital contribution to Xiangyu Xinghong with an amount of RMB12 million plus interest. As disclosed in note 14, a deposit with an amount of RMB12,191,129 was frozen by the court in 2020. In November 2021, the court rendered the judgement of the aforesaid civil lawsuit and required the Company to fulfil its capital contribution obligation as a shareholder of Xiangyu Xinghong. In December 2021, the Company appealed to the High People's Court of Fujian Province ("**Fujian High Court**") regarding the civil lawsuit, and in February 2023, Fujian High Court released its final judgement and affirmed the original judgement.

Based on the assessment of the latest developments in the relevant litigation, together with the information currently obtained, the Group made a provision for contingent liabilities amounting to RMB13,114,258 as of 31 December 2022 in accordance with the relevant provisions of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

On 17 March 2023, the provision was released with RMB13,230,789 paid for litigation settlement to Xiangyu Xinghong. The frozen deposit has been therefore released.

9. OTHER INCOME AND GAINS, NET

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Government grants	**3,021,757**	2,963,513
Interest from bank deposits	**702,081**	201,046
Others	**503,082**	777,294
Total	**4,226,920**	3,941,853

10. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Depreciation and amortisation	**1,869,726**	1,744,852
Staff costs:		
Salaries, bonuses and allowances	**4,691,608**	5,525,112
Other social welfare	**934,935**	1,118,354
Impairment losses on loans and accounts receivables	**13,819,763**	12,087,873
Auditor's remuneration	**471,698**	424,528

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Current income tax	**15,783,143**	16,289,427
Deferred income tax	**(2,331,566)**	(7,492,352)
Total	**13,451,577**	8,797,075

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

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit before tax	**56,244,719**	34,347,784
Tax at the applicable tax rate of 25%	**14,061,180**	8,586,946
Lower tax rate for specific provinces or enacted by local authority	**(106,428)**	270,354
Adjustments in respect of current tax of previous periods	**28,775**	48,198
Income not subject to tax	**(577,862)**	(147,694)
Expenses not deductible for tax purposes	**36,497**	51,886
Tax losses utilised from previous periods	**(8,532)**	(12,615)
Tax losses not recognised	**17,947**	—
Total tax expense for the period at the Group's effective tax rate	**13,451,577**	8,797,075

12. DIVIDENDS

A dividend of RMB0.05 per ordinary share in respect of the profit for the year ended 31 December 2022 amounting to RMB34 million was approved at the annual general meeting held on 9 June 2023. The dividend of RMB34 million was not distributed and recorded in other liabilities as at 30 June 2023. Such dividend was distributed on 15 August 2023.

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

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

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**34,826,363**	22,653,848
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**680,000,000**	680,000,000
Basic and diluted earnings per share	**0.05**	0.03

14. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Cash on hand	**20,372**	8,932
Cash at banks	**79,593,908**	142,981,366
Cash equivalents	**1,857,208**	278,548
Cash and cash equivalents in the interim condensed consolidated statement of financial position	**81,471,488**	143,268,846
Less: Restricted current deposit	**—**	(12,191,129)
Cash and cash equivalents in the statement of cash flows	**81,471,488**	131,077,717

At the end of the reporting period, the cash and bank balances of the Group denominated in USD amounted to RMB4,745,361 (31 December 2022: RMB4,727,726). Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2022, the restricted current deposit represents the deposit frozen by a court in connection with a lawsuit as disclosed in note 8. As at 30 June 2023, the frozen deposit has been released due to the settlement of the lawsuit.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
At fair value through profit or loss			
Wealth management products	*(a)*	**26,308,045**	56,859,552
Listed equity investments	*(b)*	**141,280,098**	143,471,304
Listed funds		**4,987,415**	5,111,664
Designated as at fair value through profit or loss	*(c)*		
Unlisted equity investments and private equity funds		**49,590,614**	50,391,202
Purchased non-performing loans ("**NPLs**")		**54,781,984**	62,221,984
		276,948,156	318,055,706

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

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

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

16. LOANS AND ACCOUNTS RECEIVABLES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Loans receivable	**955,654,517**	857,724,076
Lease receivables	**350,981**	465,508
Less: Unearned finance income	**(61,974)**	(73,546)
Net lease receivables	**289,007**	391,962
Less: Allowance for impairment		
— Individually assessed	**(58,154,837)**	(50,736,845)
— Collectively assessed	**(7,524,148)**	(7,985,553)
Total	**890,264,539**	799,393,640

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

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 30 June 2023, 0.3% (31 December 2022: Nil) of loans receivable were credit loans, 26.7% (31 December 2022: 17.8%) of loans receivable were guaranteed loans, and 73.0% (31 December 2022: 82.0%) of loans receivable were collateral-backed loans. As at 30 June 2023, the Group's loans receivable included an amount of RMB101 million (31 December 2022: RMB82 million) to customers for their purpose of purchasing NPLs from asset management companies.

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

	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022 (Audited)	674,078,641	153,614,992	217,123,800	1,044,817,433
New	1,211,048,393	—	—	1,211,048,393
Derecognised (excluding write off)	(1,332,422,400)	(36,571,345)	(38,552,905)	(1,407,546,650)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(9,166,974)	9,166,974	—	—
Transfer to Stage 3	(32,840,000)	(2,174,797)	35,014,797	—
Written off	—	—	(10,190,416)	(10,190,416)
Recovery of loans and accounts receivables written off	—	—	19,987,278	19,987,278
At 31 December 2022 (Audited)	**510,697,660**	**124,035,824**	**223,382,554**	**858,116,038**
New	**698,251,271**	**—**	**—**	**698,251,271**
Derecognised (excluding write off)	**(590,627,784)**	**(65,110)**	**(11,518,391)**	**(602,211,285)**
Transfer to Stage 1	**29,000,000**	**(29,000,000)**	**—**	**—**
Transfer to Stage 2	**(30,302,936)**	**30,302,936**	**—**	**—**
Transfer to Stage 3	**(4,000,000)**	**(12,850,000)**	**16,850,000**	**—**
Recovery of loans and accounts receivables written off	**—**	**—**	**1,787,500**	**1,787,500**
At 30 June 2023 (Unaudited)	**613,018,211**	**112,423,650**	**230,501,663**	**955,943,524**

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

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowances as at 1 January 2022 (Audited)	4,857,383	9,994,845	46,676,073	61,528,301
Net (reversal)/charge of the impairment	(1,163,414)	(5,472,585)	11,331,038	4,695,039
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(44,182)	44,182	—	—
Transfer to Stage 3	(257,496)	(144,566)	402,062	—
Accreted interest on impaired loans	—	—	(20,451,278)	(20,451,278)
Impact on period end ECLs of exposures transferred between stages during the period	—	171,386	2,982,088	3,153,474
Written off	—	—	(10,190,416)	(10,190,416)
Recovery of loans and accounts receivables written off	—	—	19,987,278	19,987,278
At 31 December 2022 (Audited)	3,392,291	4,593,262	50,736,845	58,722,398
Net charge/(reversal) of the impairment	**451,100**	**(171,654)**	**10,596,568**	**10,876,014**
Transfer to Stage 1	**1,071,847**	**(1,071,847)**	**—**	**—**
Transfer to Stage 2	**(230,658)**	**230,658**	**—**	**—**
Transfer to Stage 3	**(22,278)**	**(537,772)**	**560,050**	**—**
Accreted interest on impaired loans	**—**	**—**	**(8,650,676)**	**(8,650,676)**
Impact on period end ECLs of exposures transferred between stages during the period	**(945,358)**	**764,557**	**3,124,550**	**2,943,749**
Recovery of loans and accounts receivables written off	**—**	**—**	**1,787,500**	**1,787,500**
At 30 June 2023 (Unaudited)	**3,716,944**	**3,807,204**	**58,154,837**	**65,678,985**

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Lease receivables:		
Due within 1 year	**350,981**	465,508
Due in 1 to 2 years	**—**	—
Due in 2 to 3 years	**—**	—
	350,981	465,508

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Net lease receivables:		
Due within 1 year	**289,007**	391,962
Due in 1 to 2 years	**—**	—
Due in 2 to 3 years	**—**	—
	289,007	391,962

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

17. PROPERTY AND EQUIPMENT

	Buildings	**Motor vehicles**	**Fixtures and furniture**	**Leasehold improvements**	**Total**
Cost:					
At 1 January 2022 (Audited)	7,128,280	1,532,901	3,800,092	5,280,826	17,742,099
Additions	—	562,196	14,618	—	576,814
Disposals	—	(427,566)	(53,388)	—	(480,954)
At 31 December 2022 (Audited)	7,128,280	1,667,531	3,761,322	5,280,826	17,837,959
Additions	—	4,726	12,556	—	17,282
At 30 June 2023 (Unaudited)	**7,128,280**	**1,672,257**	**3,773,878**	**5,280,826**	**17,855,241**
Accumulated depreciation:					
At 1 January 2022 (Audited)	363,485	1,456,256	1,620,155	3,058,902	6,498,798
Depreciation charge for the year	338,565	109,831	606,926	831,882	1,887,204
Disposals	—	(406,188)	(46,975)	—	(453,163)
At 31 December 2022 (Audited)	**702,050**	**1,159,899**	**2,180,106**	**3,890,784**	**7,932,839**
Depreciation charge for the period	**169,282**	**146,568**	**263,277**	**415,941**	**995,068**
At 30 June 2023 (Unaudited)	**871,332**	**1,306,467**	**2,443,383**	**4,306,725**	**8,927,907**
Net carrying amount:					
At 30 June 2023 (Unaudited)	**6,256,948**	**365,790**	**1,330,495**	**974,101**	**8,927,334**
At 31 December 2022 (Audited)	6,426,230	507,632	1,581,216	1,390,042	9,905,120

18. LEASES

The Group as a lessee

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

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

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

	Properties
At 1 January 2022 (Audited)	1,497,770
Additions	335,426
Depreciation charge	(721,002)
At 31 December 2022 (Audited)	**1,112,194**
Depreciation charge	**(585,360)**
At 30 June 2023 (Unaudited)	**526,834**

(b) ***Lease liabilities***

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

	Lease liabilities
Carrying amount at 1 January 2022 (Audited)	1,653,649
New leases	335,426
Accretion of interest recognised during the year	81,558
Payments	(879,415)
Carrying amount at 31 December 2022 (Audited)	**1,191,218**
Accretion of interest recognised during the period	**19,162**
Payments	**(618,648)**
Carrying amount at 30 June 2023 (Unaudited)	**591,732**

The maturity analysis of lease liabilities is disclosed in note 32 to the interim condensed consolidated financial information.

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**19,162**	53,259
Depreciation charge for right-of-use assets	**585,360**	296,214
Expense relating to leases of low-value assets (included in operating and administrative expenses)	**55,828**	—
Total amount recognised in profit or loss	**660,350**	349,473

(d) The total cash outflow for leases is disclosed in note 28(b) to the interim condensed consolidated financial information. At 30 June 2023, there were no future cash outflows relating to leases that have not yet commenced.

19. GOODWILL

Cost at 1 January 2022, net of accumulated impairment (Audited)	14,729,281
Impairment during the year	—
At 31 December 2022 (Audited)	14,729,281
At 31 December 2022 (Audited)	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281
Cost at 1 January 2023, net of accumulated impairment (Audited)	**14,729,281**
Impairment during the period	**—**
At 30 June 2023 (Unaudited)	**14,729,281**
At 30 June 2023 (Unaudited)	
Cost	**16,950,298**
Accumulated impairment	**(2,221,017)**
Net carrying amount	**14,729,281**

20. DEFERRED TAX

The movements in the deferred tax assets and liabilities are as follows:

Gross deferred tax assets

	Impairment allowance on loans	Fair value adjustments of financial assets at fair value through profit or loss	Fair value adjustments of financial liabilities at fair value through profit or loss	Provision for contingent liabilities	Total
At 1 January 2022 (Audited)	11,301,755	5,244,440	282,975	3,167,564	19,996,734
Recognised in profit or loss	4,982,319	2,370,820	—	111,000	7,464,139
At 31 December 2022 (Audited)	**16,284,074**	**7,615,260**	**282,975**	**3,278,564**	**27,460,873**
Recognised in profit or loss	**1,048,920**	**1,285,273**	**2,277,038**	**29,133**	**4,640,364**
At 30 June 2023 (Unaudited)	**17,332,994**	**8,900,533**	**2,560,013**	**3,307,697**	**32,101,237**

Gross deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss
At 1 January 2022 (Audited)	1,284,089
Recognised in profit or loss	(129,257)
At 31 December 2022 (Audited)	**1,154,832**
Recognised in profit or loss	**2,308,798**
At 30 June 2023 (Unaudited)	**3,463,630**

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Net deferred tax assets recognised in the interim condensed consolidated statement of financial position	**29,490,297**	27,041,209
Net deferred tax liabilities recognised in the interim condensed consolidated statement of financial position	**852,690**	735,168

The Group has tax losses arising in Mainland China of RMB548,011 (31 December 2022: RMB359,715) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

21. OTHER ASSETS

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
Repossessed assets	*(a)*	**8,571,437**	8,611,973
Deposit payments	*(b)*	**8,214,643**	3,000,000
Deferred and prepaid expenses		**118,955**	162,959
Other receivables		**400,794**	125,027
		17,305,829	11,899,959

(a) Repossessed assets are properties located at Quanzhou, Fujian Province in the PRC. The contracts to effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a total carrying amount of RMB8,060,000 (31 December 2022: RMB8,060,000) have not been obtained because these properties are still under development.

(b) As at 30 June 2023 and 31 December 2022, a deposit of RMB3.0 million is paid to the bankruptcy administrator of Sichuan Xianpai Lingzhi Group Limited ("**Sichuan Xianpai**"), a company that is currently undergoing bankruptcy and restructuring. In November 2021, the bankruptcy administrator initiated a process to publicly solicit investors to participate in the restructuring of the company. The deposit is required in order to participate in this process, which will be returned if the participants did not become the company's investors. At the date of approval of the interim condensed consolidated financial information, this transaction was still in progress. Further information about the restructuring investment agreement is disclosed in note 35 to the interim condensed consolidated financial information.

In June 2023, the Group has entered into an agreement with a third party to purchase a piece of land at an auction on behalf of that third party. As at 30 June 2023, a deposit of RMB5,214,643 is required in order to participant the auction, which will be returned if the Group fails the auction. At the same time, the Group has received a deposit of RMB1,564,643 from the third party as disclosed in note 24.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Guaranteed bank loans repayable:		
Within one year	**—**	30,000,000
Margin loans payable:		
Within one year	**9,650,043**	8,919,190
	9,650,043	38,919,190

As at 30 June 2023, the annual interest rate of the loan above was 5.00% (31 December 2022: 5.30% and 5.00%).

The margin loans payable of RMB9.7 million as at 30 June 2023 (31 December 2022: RMB8.9 million) were secured by the pledge of certain listed equity investments amounting to RMB25,811,275 (31 December 2022: RMB27,513,475).

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Designated as at fair value through profit or loss		
Liabilities associated with transferred financial assets that were not derecognised	**19,144,490**	10,356,339

The liabilities associated with transferred financial assets that were not derecognised were designated as at fair value through profit or loss as the transferred financial assets were measured on a fair value basis, in accordance with risk management and investment strategies of the Group.

24. OTHER PAYABLES

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Dividend payable		**34,000,000**	—
Payrolls payable		**1,680,489**	4,643,082
Value-added tax and surcharges payable		**1,931,080**	1,750,143
Deposits	*(a)*	**1,664,643**	100,000
Others		**1,711,086**	3,402,063
		40,987,298	9,895,288

(a) As at 30 June 2023, the Group received a deposit of RMB1,564,643 in relation to the purchase of the land on behalf of a third party, as disclosed in note 21(b).

25. SHARE CAPITAL

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Issued and fully paid ordinary shares of RMB1 each	**680,000,000**	680,000,000

26. RESERVES

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

Capital reserve

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

Surplus reserve

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

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

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

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

General reserve

In accordance with the relevant regulations, the Company and one of its subsidiaries JJHX are required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets. Such reserve is not available for profit distribution or transfer to capital. As at 30 June 2023, the balance of the general reserve of the Group was RMB18.9 million (31 December 2022: RMB17.9 million), which is not lower than 1.5% of its risk assets.

27. DISPOSAL OF A SUBSIDIARY

	30 June 2023 (Unaudited)
Net assets disposed of:	
Cash and bank balances	**602**
Prepayments and other receivables	**36,180,000**
Accruals and other payables	**(36,180,000)**
	(602)
Loss on disposal of a subsidiary	**(602)**
Satisfied by:	
Cash	**—**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Six months ended 30 June 2023 (Unaudited)
Cash and bank balances disposed of	**602**
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(602)**

28. NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	**Lease liabilities**	**Amounts due to shareholders**	**Amounts due to non-controlling shareholders**
At 1 January 2023 (Audited)	**38,919,190**	**1,191,218**	**—**	**—**
Changes from financing cash flows	**(29,534,600)**	**(618,648)**	**—**	**(6,957,000)**
New leases	**—**	**—**	**—**	**—**
2022 final dividend payable	**—**	**—**	**34,000,000**	**6,957,000**
Interest expense	**265,453**	**19,162**	**—**	**—**
At 30 June 2023 (Unaudited)	**9,650,043**	**591,732**	**34,000,000**	**—**

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders
At 1 January 2022 (Audited)	106,050,796	1,653,649	—
Changes from financing cash flows	(48,206,593)	(90,046)	—
New leases	—	102,282	—
2021 final dividend payable	—	—	34,000,000
Interest expense	1,637,595	53,259	—
At 30 June 2022 (Unaudited)	59,481,798	1,719,144	34,000,000

(b) Total cash outflow for leases

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Within operating activities	**55,828**	—
Within financing activities	**618,648**	90,046
	674,476	90,046

29. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**958,062**	910,060

(b) Loan guarantee

There was no interest-bearing bank borrowing as at 30 June 2023 guaranteed by Fujian Septwolves Group Co., Ltd. ("**Septwolves Group**") (31 December 2022: RMB30 million). There was no guaranteed fee (six months ended 30 June 2022: RMB38,396) accrued during the period, which was based on a fixed rate of the balance of the interest-bearing bank borrowings.

(c) Loan facilitation services

During the period, the Group provided loan facilitation services to a related party, Fujian Baiying Pawn Co., Ltd., (formerly known as: Fujian Yuanheng Pegadaian Co., Ltd.) and received a fee of RMB40,899 (six months ended 30 June 2022: RMB214,269).

(d) Entrusted loans

Xiamen Siming Baiying Micro-credit Co., Ltd. ("**Siming Baiying**") was contracted to manage the administration and collection of entrusted loans, on behalf of the Group. In this regard, Siming Baiying granted loans to borrowers, as an intermediary, at the direction of the Group. The Group determined both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedules. As at 30 June 2023, the outstanding balance of the loans administered by Siming Baiying was RMB7.6 million (31 December 2022: RMB7.6 million).

(e) Leases and property management fees

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Lease payments		
Xiamen Septwolves Asset Management Co., Ltd.	**66,716**	60,000
Quanzhou Henghe Investment Development Co., Ltd.	**522,235**	—
Lease income		
Fujian Septwolves Group Finance Co., Ltd.	**27,222**	—
Property management fees		
Xiamen Huakaifugui Property Management Co., Ltd.	**26,536**	60,000
Quanzhou JixiangFugui Property Management Co., Ltd.	**63,677**	—

(f) Outstanding balances with related parties

As at 30 June 2023, the Group prepaid a guarantee fee to Septwolves Group, with the outstanding balance of RMB14,836 (31 December 2022: RMB29,673). The balance is both unsecured and interest-free.

30. CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liability, guarantees or any other material litigation or claims outstanding or threatened against the Group that could have a material adverse effect on its business, financial condition or results of operations.

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Contracted, but not provided for:		
Leasehold improvements	**43,719**	—

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	30 June 2023 (Unaudited)					
	On demand	**Overdue/ Undated**	**Less than 3 months**	**3 to less than 12 months**	**After 12 months**	**Total**
Assets:						
Cash and cash equivalents	**81,471,488**	**—**	**—**	**—**	**—**	**81,471,488**
Financial assets at fair value through profit or loss	**26,308,045**	**250,640,111**	**—**	**—**	**—**	**276,948,156**
Loans and accounts receivables	**—**	**87,881,983**	**198,407,188**	**473,864,102**	**130,111,266**	**890,264,539**
Other assets	**126,333**	**—**	**5,505,032**	**81,971**	**65,616,652**	**71,329,988**
Subtotal	**107,905,866**	**338,522,094**	**203,912,220**	**473,946,073**	**195,727,918**	**1,320,014,171**
Liabilities:						
Interest-bearing bank and other borrowings	**—**	**—**	**—**	**9,650,043**	**—**	**9,650,043**
Financial liabilities at fair value through profit or loss	**—**	**19,144,490**	**—**	**—**	**—**	**19,144,490**
Lease liabilities	**—**	**—**	**554,125**	**37,607**	**—**	**591,732**
Other payables	**—**	**—**	**47,563,235**	**702,652**	**1,207,700**	**49,473,587**
Subtotal	**—**	**19,144,490**	**48,117,360**	**10,390,302**	**1,207,700**	**78,859,852**
Net	**107,905,866**	**319,377,604**	**155,794,860**	**463,555,771**	**194,520,218**	**1,241,154,319**

	31 December 2022 (Audited)					
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents*	131,077,717	—	—	—	—	131,077,717
Financial assets at fair value through profit or loss	56,859,552	261,196,154	—	—	—	318,055,706
Loans and accounts receivables	—	92,936,271	203,291,438	382,788,751	120,377,180	799,393,640
Other assets	170,372	—	268,394	223,281	64,573,475	65,235,522
Subtotal	188,107,641	354,132,425	203,559,832	383,012,032	184,950,655	1,313,762,585
Liabilities:						
Interest-bearing bank and other borrowings	—	—	30,000,000	8,919,190	—	38,919,190
Financial liabilities at fair value through profit or loss	—	10,356,339	—	—	—	10,356,339
Lease liabilities	—	—	314,578	876,640	—	1,191,218
Other payables	—	—	21,705,080	13,114,258	1,349,452	36,168,790
Subtotal	—	10,356,339	52,019,658	22,910,088	1,349,452	86,635,537
Net	188,107,641	343,776,086	151,540,174	360,101,944	183,601,203	1,227,127,048

* Excluding a current deposit in a restricted account

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group's financial assets mainly include cash at banks, financial assets at fair value through profit or loss, and loans and accounts receivables.

The Group's financial liabilities mainly include interest-bearing bank borrowings and other borrowings, financial liabilities at fair value through profit or loss and other payables.

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

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2023 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss	**172,575,558**	**—**	**104,372,598**	**276,948,156**
Financial liabilities at fair value through profit or loss	**—**	**—**	**19,144,490**	**19,144,490**

As at 31 December 2022 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	205,442,520	—	112,613,186	318,055,706
Financial liabilities at fair value through profit or loss	—	—	10,356,339	10,356,339

During the six months ended 30 June 2023, there were no significant transfers between Level 1 and Level 2 (six months ended 30 June 2022: Nil).

Significant unobservable input value in Level 3 fair value measurement

As at 30 June 2023 (Unaudited)	**Fair value**	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Unlisted equity investments	**8,788,719**	**Adjusted net asset value**	**Discount for lack of marketability**	**The lower the discount, the higher the fair value**
Private equity funds	**40,801,895**	**Adjusted net asset value**	**Discount for lack of marketability**	**The lower the discount, the higher the fair value**
Purchased NPLs	**54,781,984**	**Discounted cash flow model**	**Risk adjusted discount rate**	**The lower the discount, the higher the fair value**
Financial liabilities associated with transferred financial assets that were not derecognised	**(19,144,490)**	**Discounted cash flow model**	**Risk adjusted discount rate**	**The lower the discount, the higher the fair value**

As at 31 December 2022 (Audited)	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investments	8,515,062	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	41,876,140	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Purchased NPLs	62,221,984	Recent transaction price	N/A	N/A
Financial liabilities associated with transferred financial assets that were not derecognised	(10,356,339)	Recent transaction price	N/A	N/A

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

Financial assets at fair value through profit or loss

	2023	2022
	(Unaudited)	(Unaudited)
At 1 January	**112,613,186**	116,519,498
Total gains/(losses) recognised in profit or loss	**7,759,412**	(1,927,860)
Transfer out	**—**	(22,669,624)
(Sold)/purchased	**(16,000,000)**	19,021,984
At 30 June	**104,372,598**	110,943,998

Financial liabilities at fair value through profit or loss

	2023	2022
	(Unaudited)	(Unaudited)
At 1 January	**(10,356,339)**	(9,975,899)
Total losses recognised in profit or loss	**(9,108,151)**	—
Sold/(issued)	**320,000**	(599,640)
At 30 June	**(19,144,490)**	(10,575,539)

34. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed in other notes, the Group had no significant events after the reporting period.

35. OTHER SIGNIFICANT MATTERS

On 2 June 2023, the Group entered into a restructuring investment agreement to acquire a 100% interest in Sichuan Xianpai for a cash consideration of RMB65.0 million. As at the date of approval of the interim condensed consolidated financial information, a deposit of RMB3.0 million was paid and the transaction was not completed.

36. INTERIM STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the interim statement of financial position of the Company at the end of the reporting period is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS		
Cash and cash equivalents	**39,437,326**	119,067,606
Loans and accounts receivables	**323,425,890**	332,726,325
Property and equipment	**1,252,250**	1,422,998
Right-of-use assets	**526,834**	1,083,436
Investments in subsidiaries	**340,888,345**	340,888,345
Deferred tax assets	**21,250,585**	20,849,958
Other assets	**397,479,455**	293,772,870
TOTAL ASSETS	**1,124,260,685**	1,109,811,538
LIABILITIES		
Lease liabilities	**591,732**	1,161,116
Income tax payable	**175,229**	2,405,380
Provision	**—**	13,114,258
Other payables	**39,719,932**	5,266,512
TOTAL LIABILITIES	**40,486,893**	21,947,266
NET ASSETS	**1,083,773,792**	1,087,864,272
EQUITY		
Share capital	**680,000,000**	680,000,000
Reserves	**155,322,269**	155,322,269
Retained profits	**248,451,523**	252,542,003
TOTAL EQUITY	**1,083,773,792**	1,087,864,272

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

	Capital reserve	**Surplus reserve**	**General reserve**	**Total**
Balance as at 1 January 2022	69,383,972	64,963,734	16,276,267	150,623,973
Appropriation to surplus reserve	—	4,698,296	—	4,698,296
Balance as at 31 December 2022, 1 January 2023 and 30 June 2023	**69,383,972**	**69,662,030**	**16,276,267**	**155,322,269**

37. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Company's board of directors on 29 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

Business Overview

Our Group is principally engaged in loan business. We conduct our loan business primarily through the Company and JJHX. Based in Quanzhou city, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2022, according to the statistics of the Fujian Financial Supervision Bureau (福建省地方金融監督管理局). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs.

During the Reporting Period, we generated substantially all of our income by charging interest on the loans extended to our customers. For the six months ended 30 June 2023, the total loans granted to our customers amounted to RMB692.0 million. Our interest income from loans receivable was RMB68.4 million for the six months ended 30 June 2023.

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

	As of 30 June 2023	As of 31 December 2022
Share capital *(RMB in millions)*	**680.0**	680.0
Net capital *(RMB in millions)*[1]	**1,241.2**	1,239.3
Principal amount of outstanding loans *(RMB in millions)*	**948.1**	851.7
Loan/net capital ratio[2]	**0.76 times**	0.69 times

Notes:

(1) Represents the aggregate of our share capital, reserves and retained profits.

(2) Represents the principal amount of our outstanding loans divided by our net capital.

Our Loan Business

Loan Portfolio

The principal amount of our outstanding loans increased from RMB851.7 million as of 31 December 2022 to RMB948.1 million as of 30 June 2023, primarily because the economy rebounded as the pandemic was brought under control in most of the Chinese provinces, prompting us to adjust our loan offerings.

Revolving Loans and Term Loans

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

	As of 30 June 2023		As of 31 December 2022	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Revolving loans	**565,425**	**59.6**	588,065	69.0
Term loans	**382,680**	**40.4**	263,611	31.0
Total	**948,105**	**100.0**	851,676	100.0

Loan portfolio by security

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

	As of 30 June 2023		As of 31 December 2022	
	RMB'000	***%***	*RMB'000*	*%*
Principal amount of outstanding loans:				
Credit loans	**3,200**	**0.3**	2,000	0.2
Guaranteed loans	**253,102**	**26.7**	151,802	17.8
Collateral-backed loans				
— with guarantee	**360,189**	**38.0**	418,569	49.2
— without guarantee	**331,614**	**35.0**	279,305	32.8
Total	**948,105**	**100.0**	851,676	100.0

Past due loans

The principal amount of our past due loans was RMB119.2 million and RMB114.9 million as of 31 December 2022 and 30 June 2023, respectively, accounting for 14.0% and 12.1% of the total principal amount of our outstanding loans as of the same dates.

We had 26 past due loans with an aggregate principal amount of RMB119.2 million as of 31 December 2022. As of 30 June 2023, RMB5.3 million of the principal amount of these past due loans as of 31 December 2022 had been settled. As of 30 June 2023, the remaining portion of principal amount of past due loans as of 31 December 2022 was RMB113.9 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2022 was RMB26.8 million.

As of 30 June 2023, we had 25 past due loans with an aggregate principal amount of RMB114.9 million, and our allowance for impairment losses for these past due loans as of the same date was RMB27.0 million.

The principal amount of our past due loans decreased from RMB119.2 million as of 31 December 2022 to RMB114.9 million as of 30 June 2023, mainly because we have recovered part of our past due loans.

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

	As of 30 June 2023		As of 31 December 2022	
	RMB'000	*%*	*RMB'000*	*%*
Normal	**609,339**	**64.4**	508,440	59.7
Special-mention	**253,260**	**26.7**	259,680	30.5
Substandard	**32,608**	**3.4**	30,658	3.6
Doubtful	**51,647**	**5.4**	51,647	6.1
Loss	**1,251**	**0.1**	1,251	0.1
Total	**948,105**	**100.0**	851,676	100.0

We assess impairment either collectively or individually as appropriate. We assess our loans for impairment at the end of each relevant period, determine a level of allowance, and recognize any related provisions using the concept of impairment under HKFRS 9. For the loans in stage 1 and stage 2 for measurement of ECL which were the "normal" loans and part of the "special-mention" loans, given that they are not impaired, we make collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For the remaining loans, the impairment losses are assessed individually by evaluating the loss that we expect to incur on the balance sheet date.

Our substandard loans increased from RMB30.7 million as of 31 December 2022 to RMB32.6 million as of 30 June 2023 mainly because (i) after evaluating the borrowers' repayment capabilities, we reclassified part of the past due loans totaling RMB4.8 million as normal and special-mention loans in 2022 to substandard loans; and (ii) as of 30 June 2023, RMB2.9 million of the substandard loans were recovered. During the Reporting Period, we recovered RMB1.8 million of the loans written off in previous years.

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

	As of/For the six months ended 30 June 2023	As of/For the year ended 31 December 2022
	(RMB'000, except for percentage)	
Non-performing loan ratio(1)	**8.9%**	9.8%
Balance of non-performing loans receivable	**85,506**	83,556
Balance of gross loans receivable	**955,654**	857,724
Allowance coverage ratio(2)	**76.6%**	70.0%
Allowance for loans losses(3)	**65,475**	58,456
Balance of non-performing loans receivable	**85,506**	83,556
Provision for impairment losses ratio(4)	**6.9%**	6.8%
Loss ratio(5)	**20.3%**	5.9%
Net charge of impairment allowance on loans receivable	**13,883**	8,163
Interest income	**68,381**	138,471

Notes:

(1) Represents the balance of non-performing loans receivable divided by the balance of gross loans receivable. Non-performing loan ratio indicates the quality of our loan portfolio.

(2) Represents the allowance for loans losses for all loans divided by the balance of non-performing loans receivable. The allowance for loans losses for all loans includes allowances provided for performing loans and allowances provided for non-performing loans. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in our loan portfolio.

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

(4) Represents the allowance for loans losses divided by the balance of gross loans receivable. Provision for non-performing loans losses ratio measures the cumulative level of provisions.

(5) Represents the net charge of impairment allowance on loans receivable divided by our interest income. Loss ratio is a benchmark which our management uses to monitor our financial results in relation to impairment losses incurred.

Our non-performing loans receivable increased from RMB83.6 million as of 31 December 2022 to RMB85.5 million as of 30 June 2023 as a result of the increase in unrecovered loans. Our non-performing loan ratio decreased from 9.8% as of 31 December 2022 to 8.9% as of 30 June 2023 as a result of the increase in our loan offerings.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2023:

Key requirements	**Compliance status**
The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.	Our Group complied with such requirement for the six months ended 30 June 2023.
The debt to net capital ratio of a microfinance company in Quanzhou city is capped at 100%.	Our Group complied with such requirement for the six months ended 30 June 2023.
The *Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (2020 Second Amendment)* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定 (2020第二次修正)) (the "**2020 Judicial Interpretation**", or "**these Provisions**") promulgated by the Supreme People's Court (最高人民法院) on 29 December 2020 which became effective on 1 January 2021 provide that: these Provisions shall apply to any first-instance case involving a private lending dispute newly accepted by the people's court after these Provisions came into effect; for a first-instance private lending case newly accepted after 20 August 2020, if the loan contract was formed before 20 August 2020, and either party requests that the interest from the formation of the contract to 19 August 2020 be calculated according to the then judicial interpretations, the people's court shall support the request; and (ii) the interest from 20 August 2020 to the date of payment of the loan shall be calculated according to the interest rate protection standard established by these Provisions at the time of bringing the lawsuit.	Our Group complied with such applicable requirement for the six months ended 30 June 2023.
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	Our Group complied with such requirement for the six months ended 30 June 2023.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 10% of the net capital of such microfinance company.	Our Group complied with such requirement for the six months ended 30 June 2023.

Key requirements	Compliance status
Upon the listing of the H shares on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 September 2016, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the "**Amended 70% Requirement**").	Our Group complied with the Amended 70% Requirement for the six months ended 30 June 2023.

Financial Overview

Interest Income, Net

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

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest income on:		
Loans and accounts receivables	**68,389**	68,641
Interest expense on:		
Bank loans and margin loans	**(265)**	(1,638)
Lease liabilities	**(19)**	(53)
Interest income, net	**68,105**	66,950

Interest Income

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

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

	For the six months ended 30 June	
	2023	2022
Average balance of outstanding performing loans[1] *(RMB'000)*	**757,716**	749,348
Average effective interest rate per annum[2]	**15.77%**	15.91%

Notes:

(1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the period indicated.

(2) Calculated by dividing the interest income for the period by the average balance of outstanding performing loans for the period multiplied by two.

Our loan business is primarily funded by our share capital as well as our bank borrowings. Our interest income decreased by 0.4% from RMB68.6 million for the six months ended 30 June 2022 to RMB68.4 million for the six months ended 30 June 2023. The average balance of our outstanding performing loans increased by 1.1% from RMB749.3 million for the six months ended 30 June 2022 to RMB757.7 million for the six months ended 30 June 2023. Such increases were primarily because the performing loans increased as we strengthened our loan approval criteria. For the six months ended 30 June 2022 and 2023, our average effective interest rate per annum decreased from 15.9% to 15.8%. Such decrease was primarily due to the decrease in the interest rate of new loans we granted during the Reporting Period.

Interest Expense

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

	For the six months ended 30 June	
	2023	2022
Average balance of borrowings[1] *(RMB'000)*	**10,586**	63,517
Effective interest rate per annum[2]	**5.02%**	5.16%

Notes:

(1) Calculated as the average balance of our borrowings at the end of each month for the period indicated.

(2) Calculated by dividing the interest expense for the period by the average balance of borrowings for the period multiplied by two.

Our average balance of bank borrowings decreased from RMB63.5 million as of 30 June 2022 to RMB10.6 million as of 30 June 2023, which was primarily because we repaid RMB30.0 million of bank borrowings in the first quarter of 2023.

Net Charge of Impairment Allowance on Loans and Accounts Receivable

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

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

Our net charge of impairment allowance on loans and accounts receivable for the six months ended 30 June 2022 and 2023 were RMB12.1 million and RMB13.8 million, respectively. Such increase was primarily due to the increase in provision of loans as a result of the rising credit risk of the market.

Operating and Administrative Expenses

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Tax and surcharges	**443**	485
Staff costs:		
Salaries, bonuses and allowances	**4,692**	5,525
Other social welfare	**935**	1,118
Service fees	**1,212**	1,329
Depreciation and amortization	**1,870**	1,745
Others	**1,056**	1,779
Total operating and administrative expenses	**10,208**	11,981

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fees, accounting for 4.0% and 4.3% of our operating and administrative expenses for the six months ended 30 June 2022 and 2023, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 55.4% and 55.1% of our operating and administrative expenses for the six months ended 30 June 2022 and 2023, respectively.

Our operating and administrative expenses decreased from RMB12.0 million for the six months ended 30 June 2022 to RMB10.2 million for the six months ended 30 June 2023 mainly because of the decreased staff costs.

Net Investment Gains/Losses

Our net losses of financial assets increased from RMB12.5 million for the six months ended 30 June 2022 to gains of RMB7.8 million for the six months ended 30 June 2023 mainly due to (i) the fluctuation of the fair value of financial instruments we hold at fair value; (ii) the income from disposal of financial assets of RMB9.0 million; and (iii) the dividends from listed securities of RMB3.8 million.

Other Income and Gains, Net

Our net other income and gains consists of interest from bank deposits, government grants, and other gains. Our net other income and gains increased from RMB3.9 million for the six months ended 30 June 2022 to RMB4.2 million for the six months ended 30 June 2023 mainly due to (i) the increase in interest from bank deposits of RMB0.5 million; and (ii) the decrease in other income of RMB0.2 million.

Income Tax Expense

During the six months ended 30 June 2022 and 2023, we were subject to the general tax rate of 25% pursuant to the Enterprise Income Tax Law (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and became effective as from the same day. Our income tax expense for the six months ended 30 June 2022 and 2023 was RMB8.8 million and RMB13.5 million, respectively. Such increase was primarily because of the increase in profit before tax. Our effective tax rate was 25.6% and 23.9% for the same period, respectively.

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

Net Profit and Total Comprehensive Income for the Period

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB25.6 million and RMB42.8 million for the six months ended 30 June 2022 and 2023, respectively. The profit attributable to owners of the parent company for the same period was RMB22.7 million and RMB34.8 million, respectively.

Liquidity and Capital Resources

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

Our gearing ratio which presented the percentage of our net debt divided by the aggregate of our capital and net debt, increased from –10.2% as of 31 December 2022 to –6.8% as of 30 June 2023, mainly because of the decrease in cash and cash equivalents.

Cash Flows

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Net cash flows (used in)/from operating activities	**(12,722)**	50,411
Net cash flows used in investing activities	**(10)**	(792)
Net cash flows used in financing activities	**(37,110)**	(48,297)
Net (decrease)/increase in cash and cash equivalents	**(49,842)**	1,322
Cash and cash equivalents at the beginning of the period	**131,078**	28,707
Effect of foreign exchange rate changes, net	**235**	258
Cash and cash equivalents at the end of the period	**81,471**	30,287

Net Cash Flows (Used in)/from Operating Activities

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

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

Net cash flows used in operating activities for the six months ended 30 June 2023 was RMB12.7 million. Net cash flows generated from operating activities before working capital adjustment was RMB68.4 million. Cash inflows mainly consisted of: (i) the decrease in financial assets at fair value through profit or loss of RMB45.3 million; and (ii) the decrease in other assets of RMB6.7 million. Cash outflows mainly consisted of: (i) the increase of RMB96.0 million in loans issued and accounts receivables due to an increase in loan offerings; and (ii) the decrease of RMB16.1 million in other liabilities.

Net Cash Flows Used in Investing Activities

For the six months ended 30 June 2023, our net cash flows used in investing activities was RMB0.01 million, which was mainly consisted of the purchase of property and equipment and intangible assets.

Net Cash Flows Used in Financing Activities

For the six months ended 30 June 2023, our net cash flows used in financing activities was RMB37.1 million, which consisted of: (i) the net repayment of bank borrowings of RMB29.4 million; (ii) the payment of dividends to non-controlling shareholders of JJHX of RMB7.0 million; (iii) the lease payment of RMB0.6 million; and (iv) the repayment of interests in bank borrowings of RMB0.1 million.

Cash Management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2022 and 30 June 2023, the total cash and cash equivalents amounted to RMB131.1 million and RMB81.5 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected Items of the Statements of Financial Position

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash on hand and cash at banks. As of 31 December 2022 and 30 June 2023, we had cash and cash equivalents of RMB143.3 million and RMB81.5 million, respectively. Such decrease in our cash and cash equivalents was primarily due to the repayment of bank borrowings and the increase in our loan offerings.

Loans and Accounts Receivable

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

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

	As of 30 June 2023	As of 31 December 2022
	RMB'000	*RMB'000*
Net lease receivables	**289**	392
Loans receivable	**955,654**	857,724
Total loans and accounts receivable	**955,943**	858,116
Less: Allowance for impairment losses		
— Individual assessed	**(58,155)**	(50,737)
— Collective assessed	**(7,524)**	(7,985)
Total allowance for impairment losses	**(65,679)**	(58,722)
Net loans and accounts receivable	**(890,264)**	799,394

Our net loans and accounts receivable increased from RMB799.4 million as of 31 December 2022 to RMB890.3 million as of 30 June 2023 primarily because of the recovery of national economy and the increase in corporate capital needs since the pandemic was brought under control in most of the Chinese provinces.

As of 30 June 2023, our maturity profiles within one year and over one year accounted for 83.6% and 16.4% of the total loans receivable, respectively. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 30 June 2023		As of 31 December 2022	
	RMB'000	***%***	*RMB'000*	*%*
Past due	**114,949**	**12.0**	119,219	13.9
Due within three months	**200,855**	**21.0**	206,096	24.0
Due between three months and six months	**152,075**	**15.9**	211,808	24.7
Due between six months and one year	**331,167**	**34.7**	177,517	20.7
Due over one year	**156,608**	**16.4**	143,084	16.7
Total	**955,654**	**100.0**	857,724	100.0

Goodwill

Our goodwill remained as RMB14.7 million as of 31 December 2022 and 30 June 2023.

Other Intangible Assets

Other intangible assets decreased from RMB0.5 million as of 31 December 2022 to RMB0.4 million as of 30 June 2023, mainly due to the increase in amortization of intangible assets.

Deferred Tax Assets

The deferred tax assets increased from RMB27.0 million as of 31 December 2022 to RMB29.5 million as of 30 June 2023, mainly due to the increase in deductible temporary differences arising from impairment on loans.

Other Assets

Our other assets increased from RMB11.9 million as of 31 December 2022 to RMB17.3 million as of 30 June 2023 primarily due to the increase in deposit payments. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 30 June 2023 *RMB'000*	As of 31 December 2022 *RMB'000*
Repossessed assets	**8,571**	8,612
Deposit payments	**8,215**	3,000
Other receivables	**401**	125
Deferred and prepaid expenses	**119**	163
Total other assets	**17,306**	11,900

Other Payables

Our other payables mainly include value-added tax and surcharges payable, payrolls payable, audit fee, dividend payable and others. As of 31 December 2022 and 30 June 2023, our other payables were RMB9.9 million and RMB41.0 million, respectively. Such increase was primarily due to the increase in dividend payable of RMB34.0 million.

Indebtedness

Interest-bearing Bank Borrowings and Other Borrowings

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

	As of 30 June 2023	As of 31 December 2022
	RMB'000	*RMB'000*
Guaranteed bank loans	**—**	30,000
Margin loans	**9,650**	8,919
Total	**9,650**	38,919

Lease liabilities

Our lease liabilities decreased from RMB1.2 million as of 31 December 2022 to RMB0.6 million as of 30 June 2023 mainly because of the lease payment of RMB0.6 million.

Provision for a contingent liability

Xiangyu Xinghong, as the plaintiff, claimed that the Company, as one of its shareholders, should fulfill its shareholders obligation and pay the capital contribution and the interest with an aggregate amount of RMB12.9 million, represents 10% equity interest in the Xiangyu Xinghong. Such equity interest in Xiangyu Xinghong was repossessed by the Company as a settlement of a non-performing loan with carrying amount of RMB12.7 million with a borrower. In November 2021, Xiamen Intermediate People's Court in Fujian Province (福建省廈門市中級人民法院) granted its judgment (the "**Judgement**") in favour of Xiangyu Xinghong. The Company appealed to Fujian High Court regarding the Judgement in December 2021. In February 2023, Fujian High Court affirmed the Judgement issued by Xiamen Intermediate People's Court in Fujian Province. In March 2023, the Company paid Xiangyu Xinghong an aggregate amount of unpaid capital contribution and interest in the amount of RMB13.2 million. For more details, please refer to note 8 to the interim condensed consolidated financial information.

Contingent Liabilities

Save as disclosed in the section headed "Provision for a contingent liability" in this announcement, we had no significant contingent liabilities as of 30 June 2023.

Capital Expenditures

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Capital expenditures		
— Micro-credit business	**69**	783
Total	**69**	783

Commitment and Contractual Obligations

Capital Commitments

Our capital commitment, which was contracted but not provided for in the financial statements, was in respect of the development of software and leasehold improvements during the Reporting Period. Our capital commitment was RMB0 and RMB43,719 as of 31 December 2022 and 30 June 2023, respectively.

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from mainland China for the six months ended 30 June 2023.

Off-balance Sheet Arrangements

As of 30 June 2023, we did not have any off-balance sheet arrangements.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

As disclosed in the discloseable transaction announcement of the Company dated 2 June 2023 and the supplemental disclosure transaction announcement of the Company dated 18 July 2023 (the "**Announcements**"), on 2 June 2023, a wholly-owned subsidiary of the Company entered into a restructuring investment agreement with the bankruptcy administrator of Sichuan Xianpai Lingzhi Group Limited ("**Sichuan Xianpai**") in respect of the proposed acquisition of the entire equity interests of Sichuan Xianpai, a company that is currently undergoing bankruptcy and restructuring, for an aggregate consideration of not less than RMB65.0 million. Upon completion of this proposed acquisition, Sichuan Xianpai will be wholly owned by the Company, and will be accounted for and consolidated into the Group's consolidated financial statements. As of the date of this announcement, a deposit of RMB3.0 million was paid and the transaction was still in progress. For more details, please refer to note 35 to the interim condensed consolidated financial information and the Announcements.

Save as disclosed above, there were no material investments (including any investment with a value of 5% or more of the Company's total assets), acquisitions or disposals for the six months ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

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

Save as disclosed above, our Group had no future plans for material investments or external financing as of 30 June 2023.

CHARGE ON OUR GROUP'S ASSETS

As of 30 June 2023, we did not have any charges on our Group's assets.

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2023, our Group had 53 employees, all of whom were based in Fujian province, the PRC. Our employees' remuneration has been paid in accordance with applicable laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As of 30 June 2023, our Group did not involve in any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Rules Governing the listing of securities on the Stock Exchange (the "**Listing Rules**").

PROSPECTS

In 2023, with strong economic resilience after the pandemic and the global economy on the path to recovery, China will continue to stabilize and restructure its economy, and enhance its financial regulations. The Group remains committed to developing steadily and healthily by applying for better policy support, and exploring new opportunities for growth. The Group also remains committed to enabling the strengthening of its various competitive capabilities, and working toward the creation of sustainable operations by enhancing its organizational structure, and expanding its talent pool and product range to meet the diversified needs of the market and make its contribution to the development of the real economy.

CORPORATE GOVERNANCE

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

UPDATES ON DIRECTORS' AND SUPERVISORS' INFORMATION

There was no change in the information of the Directors and supervisors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Board meeting approving the 2022 annual report up to the date of the Board meeting approving this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

Our Group has not purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the note 34 to the interim condensed consolidated financial information in this announcement, no significant event after the Reporting Period needs to be disclosed.

AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Interim Results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qzhuixin.net). The interim report for the six months ended 30 June 2023 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and available on the above websites in due course.

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

Hong Kong, 29 August 2023

As at the date of this announcement, the executive Directors are Mr. WU Zhirui, Mr. ZHOU Yongwei, Mr. YAN Zhijiang and Ms. LIU Aiqin; the non-executive Directors are Mr. JIANG Haiying and Mr. CAI Rongjun; and the independent non-executive Directors are Mr. ZHENG Wenjian, Mr. YANG Dong John and Mr. YANG Zhanghua.

* *For identification purposes only*