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

**泉州匯鑫小額貸款股份有限公司**

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

**(Stock Code: 1577)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

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 2024 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2023, 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 2024*

*(Amounts expressed in RMB unless otherwise stated)*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income	5	<b>58,957,248</b>	68,388,908
Interest expense	5	<b>(278,120)</b>	(284,615)
Interest income, net		<b>58,679,128</b>	68,104,293
Impairment losses on loans and accounts receivables, net	6	<b>(17,734,199)</b>	(13,819,763)
Operating and administrative expenses		<b>(10,830,673)</b>	(10,208,452)
Foreign exchange gain, net		<b>43,836</b>	235,081
Net gains on financial assets	7	<b>12,387,004</b>	7,823,171
Provision for a contingent liability		<b>—</b>	(116,531)
Other income and gains	8	<b>4,543,054</b>	4,226,920
Other expense		<b>(368,980)</b>	—
<b>PROFIT BEFORE TAX</b>	9	<b>46,719,170</b>	56,244,719
Income tax expense	10	<b>(10,088,325)</b>	(13,451,577)
<b>NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>36,630,845</u></b>	<b><u>42,793,142</u></b>
Attributable to:			
Owners of the parent		<b>33,251,157</b>	34,826,363
Non-controlling interests		<b>3,379,688</b>	7,966,779
		<b><u>36,630,845</u></b>	<b><u>42,793,142</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	12		
Basic		<b><u>0.05</u></b>	<b><u>0.05</u></b>
Diluted		<b><u>0.05</u></b>	<b><u>0.05</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

(Amounts expressed in RMB unless otherwise stated)

	Notes	30 June 2024 (Unaudited)	31 December 2023 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	13	148,495,199	111,484,915
Financial assets at fair value through profit or loss	14	249,238,714	249,672,915
Loans and accounts receivables	15	764,302,556	861,548,743
Property, plant and equipment	16	9,109,744	8,054,647
Investment properties	17	63,861,421	—
Right-of-use assets	18	1,344,740	1,829,348
Goodwill	19	14,729,281	14,729,281
Other intangible assets		98,539	105,733
Deferred tax assets	20	32,529,080	32,590,525
Other assets	21	12,004,545	22,861,438
<b>TOTAL ASSETS</b>		<b>1,295,713,819</b>	<b>1,302,877,545</b>
<b>LIABILITIES</b>			
Interest-bearing borrowing	22	8,860,960	9,894,844
Financial liabilities at fair value through profit or loss		—	842,127
Lease liabilities	18	1,293,033	1,742,671
Income tax payable		1,375,914	11,549,013
Deferred tax liabilities	20	101,561	—
Other payables	23	39,654,820	10,327,378
<b>TOTAL LIABILITIES</b>		<b>51,286,288</b>	<b>34,356,033</b>
<b>NET ASSETS</b>		<b>1,244,427,531</b>	<b>1,268,521,512</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	24	680,000,000	680,000,000
Reserves	25	170,053,639	170,210,456
Retained profits		308,136,064	308,884,907
Equity attributable to owners of the parent		1,158,189,703	1,159,095,363
Non-controlling interests		86,237,828	109,426,149
<b>TOTAL EQUITY</b>		<b>1,244,427,531</b>	<b>1,268,521,512</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

(Amounts expressed in RMB unless otherwise stated)

For the six months ended 30 June 2024 (Unaudited)								
Attributable to owners of the parent								
	Reserves					Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits			
At 1 January 2024 (Audited)	680,000,000	75,390,551	75,765,492	19,054,413	308,884,907	1,159,095,363	109,426,149	1,268,521,512
Net profit and total comprehensive income for the period	—	—	—	—	33,251,157	33,251,157	3,379,688	36,630,845
Distribution to shareholders (Note 11)	—	—	—	—	(34,000,000)	(34,000,000)	(8,177,677)	(42,177,677)
Equity transactions with non-controlling interests	—	(156,817)	—	—	—	(156,817)	(18,390,332)	(18,547,149)
Balance as at 30 June 2024 (Unaudited)	<u>680,000,000</u>	<u>75,233,734</u>	<u>75,765,492</u>	<u>19,054,413</u>	<u>308,136,064</u>	<u>1,158,189,703</u>	<u>86,237,828</u>	<u>1,244,427,531</u>

For the six months ended 30 June 2023 (Unaudited)								
Attributable to owners of the parent								
	Reserves					Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits			
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	—	—	—	—	(34,000,000)	(34,000,000)	(6,957,000)	(40,957,000)
Balance as at 30 June 2023 (Unaudited)	<u>680,000,000</u>	<u>75,390,551</u>	<u>69,662,030</u>	<u>18,859,001</u>	<u>285,195,216</u>	<u>1,129,106,798</u>	<u>112,047,521</u>	<u>1,241,154,319</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

(Amounts expressed in RMB unless otherwise stated)

		Six months ended 30 June	
	Notes	2024	2023
		(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>46,719,170</b>	56,244,719
Adjustments for:			
Unrealised fair value changes in financial instruments at fair value through profit or loss		<b>(13,692,145)</b>	4,921,638
Depreciation of property and equipment		<b>837,557</b>	995,068
Depreciation of repossessed assets		—	40,536
Depreciation of right-of-use assets		<b>484,608</b>	585,360
Amortisation of other intangible assets		<b>81,249</b>	248,762
Depreciation of investment properties		<b>368,876</b>	—
Impairment of loans and accounts receivables	6	<b>17,734,199</b>	13,819,763
Accreted interest on impaired loans		<b>(16,887,589)</b>	(8,650,676)
Provision for a contingent liability		—	116,531
Foreign exchange gain, net		<b>(43,836)</b>	(235,081)
Loss on disposal of a subsidiary		—	602
Gain on disposal of items of property, plant and equipment		<b>(438)</b>	—
Interest expense	5	<b>278,120</b>	284,615
		<b>35,879,771</b>	68,371,837
Decrease in financial assets at fair value through profit or loss		<b>13,284,220</b>	45,294,063
Decrease/(increase) in loans and accounts receivables		<b>96,399,577</b>	(64,859,986)
(Increase)/decrease in other assets		<b>(2,186,278)</b>	6,680,220
Decrease in financial liabilities at fair value through profit or loss		—	(320,000)
Decrease in other payables		<b>(4,614,006)</b>	(47,313,450)
Net cash flows from operating activities before tax		<b>138,763,284</b>	7,852,684
Income tax paid		<b>(20,098,418)</b>	(20,573,620)
Net cash flows from/(used in) operating activities		<b>118,664,866</b>	(12,720,936)

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2024</b>	<b>2023</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property and equipment, other intangible assets and other long-term assets		<b>(53,224,698)</b>	(9,524)
Disposal of items of property and equipment		<b>12,748</b>	—
Disposal of a subsidiary		<u>—</u>	<u>(602)</u>
Net cash flows used in investing activities		<u><b>(53,211,950)</b></u>	<u>(10,126)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of interest-bearing borrowing		<b>(87,000)</b>	(29,432,875)
Interest paid		<b>(1,190,138)</b>	(101,725)
Dividends paid to non-controlling shareholders		<b>(8,177,677)</b>	(6,957,000)
Principal portion of lease payments		<b>(484,504)</b>	(618,648)
Acquisition of non-controlling interests		<u><b>(18,547,149)</b></u>	<u>—</u>
Net cash flows used in financing activities	26	<u><b>(28,486,468)</b></u>	<u>(37,110,248)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>36,966,448</b>	(49,841,310)
Cash and cash equivalents at beginning of the period		<b>111,484,915</b>	131,077,717
Effect of foreign exchange rate changes, net		<u><b>43,836</b></u>	<u>235,081</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>			
	13	<u><u><b>148,495,199</b></u></u>	<u><u>81,471,488</u></u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

(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 2024, the following list contains the particulars of the 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. (“ <b>Huixinxing</b> ”)	Quanzhou, China Corporation	RMB 50,000,000	RMB 50,000,000	100.0%	—	Investment and advisory services, Quanzhou
Quanzhou Huizhixin Investment Co., Ltd. (“ <b>Huizhixin</b> ”)*	Quanzhou, China Corporation	United States dollars (“ <b>USD</b> ”) 10,000,000	USD 10,000,000	—	99.0%	Investment, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd. (“ <b>JJHX</b> ”)	Jinjiang, China Corporation	RMB 320,000,000	RMB 320,000,000	76.8%	—	Provision of micro-credit, Jinjiang
Fujian Huishangxing Asset Operation Co., Ltd.	Jinjiang, China Corporation	RMB 10,000,000	RMB 500,000	—	100.0%	Investment, Jinjiang
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100.0%	Information technology advisory services, Jinjiang
Xiamen Huihengcheng Trading Co., Ltd.	Xiamen, China Corporation	RMB 5,078,000	RMB 5,078,000	—	100.0%	Wholesale, Xiamen

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 Huijincheng Investment Consulting Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100.0%	Management advisory services, Jinjiang
Sichuan Puquan Trading Co., Ltd.	Sichuan, China Corporation	RMB 10,000,000	RMB 10,000,000	—	100.0%	Wholesale, Sichuan
Sichuan Xianpai Lingzhi Group Limited (“Sichuan Xianpai”)**	Sichuan, China Corporation	RMB 40,000,000	RMB 40,000,000	—	100.0%	Food manufacturing, Sichuan

\* In January 2024, Huixinxing acquired an aggregate of 24% of the equity interests in Huizhixin from other shareholders with a consideration of RMB18,547,149. Upon completion of the acquisitions, the percentage of equity interests held by the Company increased to 99%.

\*\* In February 2024, as from the date when the Group fully settled the consideration of RMB65.0 million, the administrator of Sichuan Xianpai was applying to the Chengdu Intermediate Court for the release of equity pledge and sequestration, and assisting the Group in the transfer of the legal title of the shareholding. In April 2024, equity change registration procedures have been completed and the Group has obtained the entire equity interests of Sichuan Xianpai.

\*\*\* A subsidiary of the Group, Fujian Huichangfu Real Estate Agency Co., Ltd., was dissolved on 12 June 2024.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with *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 2023. The interim condensed consolidated financial information is presented in Renminbi.

## 3. ACCOUNTING POLICIES

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 2023, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial information, and other material accounting policies not applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023.



### 3.1 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ <b>2020 Amendments</b> ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ <b>2022 Amendments</b> ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

### 3.2 Other material accounting policies

The other material accounting policies not applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023:

#### *Investment properties*

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life. The estimated useful life and principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual rate	Annual depreciation rate
Land and buildings	27.4 years	5%	3.5%

## 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	
	2024	2023
	(Unaudited)	(Unaudited)
Interest income on:		
Loans and accounts receivables	58,957,248	68,388,908
Interest expense on:		
Margin loans	(243,254)	(265,453)
Lease liabilities	<u>(34,866)</u>	<u>(19,162)</u>
Interest income, net	<u>58,679,128</u>	<u>68,104,293</u>

## 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 2024	Stage 1 Collective (Unaudited)	Stage 2 Collective (Unaudited)	Stage 3 (Unaudited)	Total (Unaudited)
Loans and accounts receivables	<u>(857,625)</u>	<u>(1,217,299)</u>	<u>19,809,123</u>	<u>17,734,199</u>
Total impairment losses	<u>(857,625)</u>	<u>(1,217,299)</u>	<u>19,809,123</u>	<u>17,734,199</u>
Six months ended 30 June 2023	Stage 1 Collective (Unaudited)	Stage 2 Collective (Unaudited)	Stage 3 (Unaudited)	Total (Unaudited)
Loans and accounts receivables	<u>474,653</u>	<u>(936,058)</u>	<u>14,281,168</u>	<u>13,819,763</u>
Total impairment losses	<u>474,653</u>	<u>(936,058)</u>	<u>14,281,168</u>	<u>13,819,763</u>

## 7. NET INVESTMENT GAINS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Loss on disposal of a subsidiary	—	(602)
Dividends and other income	1,411,932	3,764,735
Net realised (losses)/gains	(2,717,073)	8,980,676
Financial assets at fair value through profit or loss	(1,874,946)	8,980,676
Financial liabilities at fair value through profit or loss	(842,127)	—
Unrealised gains/(losses)	13,692,145	(4,921,638)
Financial assets at fair value through profit or loss	12,850,018	4,186,513
Financial liabilities at fair value through profit or loss	842,127	(9,108,151)
Total	<u>12,387,004</u>	<u>7,823,171</u>

## 8. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Government grants	3,643,651	3,021,757
Interest from bank deposits	783,226	702,081
Gain on disposal of items of property, plant and equipment	438	—
Others	115,739	503,082
Total	<u>4,543,054</u>	<u>4,226,920</u>

## 9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Depreciation and amortisation	1,772,290	1,869,726
Staff costs:		
Salaries, bonuses and allowances	4,832,037	4,691,608
Other social welfare	978,783	934,935
Impairment losses on loans and accounts receivables	17,734,199	13,819,763
Auditor's remuneration	<u>471,698</u>	<u>471,698</u>

## 10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Current income tax	9,925,319	15,783,143
Deferred income tax	<u>163,006</u>	<u>(2,331,566)</u>
Total	<u><b>10,088,325</b></u>	<u><b>13,451,577</b></u>

The Group conducts all of its businesses in Mainland China and the applicable income tax rate is generally 25%, except for some subsidiaries of the Group which are qualifying entities under the lower income tax rate 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	
	2024 (Unaudited)	2023 (Unaudited)
Profit before tax	46,719,170	56,244,719
Tax at the applicable tax rate of 25%	11,679,792	14,061,180
Lower tax rate for specific provinces or enacted by local authority	114,062	(106,428)
Adjustments in respect of current tax and deferred tax of previous periods	(1,643,155)	28,775
Income not subject to tax	(105,543)	(577,862)
Expenses not deductible for tax purposes	18,592	36,497
Tax losses utilised from previous periods	—	(8,532)
Tax losses not recognised	<u>24,577</u>	<u>17,947</u>
Total tax expense for the period at the Group's effective tax rate	<u><b>10,088,325</b></u>	<u><b>13,451,577</b></u>

## 11. DIVIDENDS

A dividend of RMB0.05 per ordinary share in respect of the profit for the year ended 31 December 2023 amounting to RMB34 million was approved at the annual general meeting of the Company held on 7 June 2024. The dividend of RMB34 million was not distributed and recorded in other liabilities as at 30 June 2024. Such dividend was distributed on 15 August 2024.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders 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.

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u><b>33,251,157</b></u>	<u>34,826,363</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u><b>680,000,000</b></u>	<u>680,000,000</u>
Basic and diluted earnings per share	<u><u><b>0.05</b></u></u>	<u><u>0.05</u></u>

## 13. CASH AND CASH EQUIVALENTS

	<b>30 June</b>	<b>31 December</b>
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash on hand	<b>20,436</b>	1,675
Cash at banks	<b>146,939,382</b>	110,075,853
Cash equivalents	<u><b>1,535,381</b></u>	<u>1,407,387</u>
Total	<u><u><b>148,495,199</b></u></u>	<u><u>111,484,915</u></u>

At the end of the Reporting Period, the cash and bank balances of the Group denominated in USD amounted to RMB3,255,527 (31 December 2023: RMB4,588,031). Cash at banks earns interest at floating rates based on daily bank deposit rates.

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

	<i>Notes</i>	<b>30 June 2024 (Unaudited)</b>	<b>31 December 2023 (Audited)</b>
At fair value through profit or loss			
Wealth management products	(a) (b)	<b>20,139,638</b>	70,327,086
Structured deposits	(b)	<b>40,000,000</b>	—
Listed equity investments	(c)	<b>141,195,343</b>	127,650,290
Listed funds		<b>473,733</b>	4,265,539
Designated as at fair value through profit or loss	(d)		
Unlisted equity investments and private equity funds		<b><u>47,430,000</u></b>	<u>47,430,000</u>
Total		<b><u>249,238,714</u></b>	<u>249,672,915</u>

- (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.
- (b) Wealth management products and structured deposits 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.
- (c) The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.
- (d) The unlisted equity investments and private equity funds were designated as at fair value through profit or loss on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group.

#### 15. LOANS AND ACCOUNTS RECEIVABLES

	<b>30 June 2024 (Unaudited)</b>	<b>31 December 2023 (Audited)</b>
Loans receivable	<b>836,634,019</b>	928,988,756
Lease receivables	<b>247,674</b>	292,791
Less: Unearned finance income	<b>(54,702)</b>	(56,392)
Net lease receivables	<b>192,972</b>	236,399
Less: Allowance for impairment		
— Individually assessed	<b>(63,944,385)</b>	(57,021,438)
— Collectively assessed	<b><u>(8,580,050)</u></b>	<u>(10,654,974)</u>
Total	<b><u>764,302,556</u></b>	<u>861,548,743</u>

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

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 30 June 2024, 19.6% (31 December 2023: 15.7%) of loans receivable were guaranteed loans, and 80.4% (31 December 2023: 84.1%) of loans receivable were collateral-backed loans. As at 30 June 2024, the Group's loans receivable included an amount of RMB104.8 million (31 December 2023: RMB130.9 million) to customers for their purpose of purchasing non-performing loans ("NPLs") and the related collateral items from asset management companies and banks.

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

	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Stage 3</b>	<b>Total</b>
Gross carrying amount as at 1 January 2023 (Audited)	510,697,660	124,035,824	223,382,554	858,116,038
New	1,148,620,581	—	—	1,148,620,581
Repayment	(1,042,769,956)	(6,350,151)	(30,430,855)	(1,079,550,962)
Transfer to Stage 1	24,000,000	(24,000,000)	—	—
Transfer to Stage 2	(94,658,269)	94,658,269	—	—
Transfer to Stage 3	(66,220,000)	(12,850,000)	79,070,000	—
Recovery of loans and accounts receivables written off	—	—	2,039,498	2,039,498
At 31 December 2023 (Audited)	<b><u>479,670,016</u></b>	<b><u>175,493,942</u></b>	<b><u>274,061,197</u></b>	<b><u>929,225,155</u></b>
New	481,974,170	—	—	481,974,170
Repayment	(550,022,170)	(7,343,303)	(21,008,274)	(578,373,747)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(18,199,287)	18,199,287	—	—
Transfer to Stage 3	—	—	—	—
Recovery of loans and accounts receivables written off	—	—	4,001,413	4,001,413
At 30 June 2024 (Unaudited)	<b><u>393,422,729</u></b>	<b><u>186,349,926</u></b>	<b><u>257,054,336</u></b>	<b><u>836,826,991</u></b>

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrowers' 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.



	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Stage 3</b>	<b>Total</b>
ECL allowances as at 1 January 2023 (Audited)	3,392,291	4,593,262	50,736,845	58,722,398
Net charge/(reversal) of impairment	2,703,732	(829,747)	9,382,771	11,256,756
Transfer to Stage 1	855,975	(855,975)	—	—
Transfer to Stage 2	(509,254)	509,254	—	—
Transfer to Stage 3	(320,992)	(537,772)	858,764	—
Accreted interest on impaired loans	—	—	(19,283,028)	(19,283,028)
Impact on period end ECLs of exposures transferred between stages during the year	(614,267)	2,268,467	13,286,588	14,940,788
Recovery of loans and accounts receivables written off	<u>—</u>	<u>—</u>	<u>2,039,498</u>	<u>2,039,498</u>
At 31 December 2023 (Audited)	<b><u>5,507,485</u></b>	<b><u>5,147,489</u></b>	<b><u>57,021,438</u></b>	<b><u>67,676,412</u></b>
Net charge/(reversal) of impairment	(640,172)	(1,661,774)	19,809,123	17,507,177
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(217,453)	217,453	—	—
Transfer to Stage 3	—	—	—	—
Accreted interest on impaired loans	—	—	(16,887,589)	(16,887,589)
Impact on period end ECLs of exposures transferred between stages during the period	—	227,022	—	227,022
Recovery of loans and accounts receivables written off	<u>—</u>	<u>—</u>	<u>4,001,413</u>	<u>4,001,413</u>
At 30 June 2024 (Unaudited)	<b><u>4,649,860</u></b>	<b><u>3,930,190</u></b>	<b><u>63,944,385</u></b>	<b><u>72,524,435</u></b>

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plants and machineries	Furniture and others	Total
Cost:					
At 1 January 2023 (Audited)	7,128,280	5,280,826	—	5,428,853	17,837,959
Additions	—	49,805	—	70,034	119,839
At 31 December 2023 (Audited)	<u>7,128,280</u>	<u>5,330,631</u>	<u>—</u>	<u>5,498,887</u>	<u>17,957,798</u>
Additions	—	—	—	1,135,260	1,135,260
Acquisition	—	—	769,703	—	769,703
Disposals	—	—	—	(246,184)	(246,184)
At 30 June 2024 (Unaudited)	<u>7,128,280</u>	<u>5,330,631</u>	<u>769,703</u>	<u>6,387,963</u>	<u>19,616,577</u>
Accumulated depreciation:					
At 1 January 2023 (Audited)	702,050	3,890,784	—	3,340,005	7,932,839
Depreciation charge for the year	338,565	843,754	—	787,993	1,970,312
At 31 December 2023 (Audited)	<u>1,040,615</u>	<u>4,734,538</u>	<u>—</u>	<u>4,127,998</u>	<u>9,903,151</u>
Depreciation charge for the period	169,282	424,242	—	244,033	837,557
Disposals	—	—	—	(233,875)	(233,875)
At 30 June 2024 (Unaudited)	<u>1,209,897</u>	<u>5,158,780</u>	<u>—</u>	<u>4,138,156</u>	<u>10,506,833</u>
Net carrying amount:					
At 30 June 2024 (Unaudited)	<u>5,918,383</u>	<u>171,851</u>	<u>769,703</u>	<u>2,249,807</u>	<u>9,109,744</u>
At 31 December 2023 (Audited)	<u>6,087,665</u>	<u>596,093</u>	<u>—</u>	<u>1,370,889</u>	<u>8,054,647</u>

As disclosed in note 1 to the interim condensed consolidated financial information, the Group has obtained the plants and machineries after obtaining the entire equity interests of Sichuan Xianpai in April 2024. The carrying values of the plants and machineries are allocated at their relative fair values at the acquisition date based on the acquisition consideration of Sichuan Xianpai.

## 17. INVESTMENT PROPERTIES

	<b>Land and buildings</b>
Cost:	
At 1 January 2024 (Audited)	—
Acquisition	<u>64,230,297</u>
At 30 June 2024 (Unaudited)	<u><u>64,230,297</u></u>
Accumulated depreciation:	
At 1 January 2024 (Audited)	—
Depreciation charge for the period	<u>(368,876)</u>
At 30 June 2024 (Unaudited)	<u><u>(368,876)</u></u>
Net carrying amount:	
At 30 June 2024 (Unaudited)	<u><u>63,861,421</u></u>
Fair value	
At 30 June 2024 (Unaudited)	<u><u>92,580,000</u></u>

Investment properties are located at Chengdu, Sichuan Province in the PRC. As disclosed in note 1 to the interim condensed consolidated financial information, the Group obtained the properties when acquisition of the entire equity interests of Sichuan Xianpai in April 2024.

The fair values of the investment properties as at 30 June 2024 were estimated by the Group, based on valuations performed by independent valuers. They fall within Level 3 in the fair value hierarchy.

The certificates of some properties was not obtained, the directors of the Company believe that there is no significant impact on the Group's financial statements.

## 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, which are further discussed below.

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

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

	<b>Properties</b>
At 1 January 2023 (Audited)	1,112,194
Additions	1,585,621
Depreciation charge	<u>(868,467)</u>
<b>At 31 December 2023 (Audited)</b>	<b>1,829,348</b>
<b>Depreciation charge</b>	<b><u>(484,608)</u></b>
<b>At 30 June 2024 (Unaudited)</b>	<b><u><u>1,344,740</u></u></b>

#### (b) *Lease liabilities*

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

	<b>Lease liabilities</b>
Carrying amount at 1 January 2023 (Audited)	1,191,218
New leases	1,585,621
Accretion of interest recognised during the year	173,431
Payments	<u>(1,207,599)</u>
<b>Carrying amount at 31 December 2023 (Audited)</b>	<b>1,742,671</b>
<b>Accretion of interest recognised during the period</b>	<b>34,866</b>
<b>Payments</b>	<b><u>(484,504)</u></b>
<b>Carrying amount at 30 June 2024 (Unaudited)</b>	<b><u><u>1,293,033</u></u></b>

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

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on lease liabilities	<b>34,866</b>	19,162
Depreciation charge for right-of-use assets	<b>484,608</b>	585,360
Expense relating to leases of low-value assets (included in operating and administrative expenses)	<u><b>97,984</b></u>	<u>55,828</u>
Total amount recognised in profit or loss	<u><b>617,458</b></u>	<u>660,350</u>

(d) The total cash outflow for leases is disclosed in note 26(b) to the interim condensed consolidated financial information. As at 30 June 2024, there were no future cash outflows relating to leases that have not yet commenced.

## 19. GOODWILL

Cost at 1 January 2023, net of accumulated impairment (Audited)	14,729,281
Impairment during the year	<u>—</u>
At 31 December 2023 (Audited)	<u>14,729,281</u>
At 31 December 2023 (Audited)	
Cost	16,950,298
Accumulated impairment	<u>(2,221,017)</u>
Net carrying amount	<u>14,729,281</u>
Cost at 1 January 2024, net of accumulated impairment (Audited)	14,729,281
Impairment during the period	<u>—</u>
At 30 June 2024 (Unaudited)	<u>14,729,281</u>
At 30 June 2024 (Unaudited)	
Cost	16,950,298
Accumulated impairment	<u>(2,221,017)</u>
Net carrying amount	<u>14,729,281</u>

## 20. DEFERRED TAX

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

### Gross deferred tax assets

	Impairment allowance for 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 a contingent liability	Deductible tax loss	Lease liabilities	Total
At 1 January 2023 (Audited)	16,284,074	7,615,260	282,975	3,278,564	—	—	27,460,873
Recognised in profit or loss	1,945,016	3,074,743	(72,443)	29,133	153,203	457,337	5,586,989
<b>At 31 December 2023</b>							
(Audited)	18,229,090	10,690,003	210,532	3,307,697	153,203	457,337	33,047,862
Recognised in profit or loss	3,375,830	(3,191,076)	(210,532)	—	12,576	(121,152)	(134,354)
<b>At 30 June 2024</b>							
(Unaudited)	<u>21,604,920</u>	<u>7,498,927</u>	<u>—</u>	<u>3,307,697</u>	<u>165,779</u>	<u>336,185</u>	<u>32,913,508</u>

### Gross deferred tax liabilities

	Right-of-use assets	Fair value adjustments of financial assets at fair value through profit or loss	Total
At 1 January 2023 (Audited)	—	1,154,832	1,154,832
Recognised in profit or loss	<u>457,337</u>	<u>(1,154,832)</u>	<u>(697,495)</u>
<b>At 31 December 2023 (Audited)</b>	<b>457,337</b>	<b>—</b>	<b>457,337</b>
Recognised in profit or loss	<u>(121,152)</u>	<u>149,804</u>	<u>28,652</u>
<b>At 30 June 2024 (Unaudited)</b>	<b><u>336,185</u></b>	<b><u>149,804</u></b>	<b><u>485,989</u></b>

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

	<b>30 June 2024 (Unaudited)</b>	31 December 2023 (Audited)
Net deferred tax assets recognised in the interim condensed consolidated statement of financial position	<b>32,529,080</b>	32,590,525
Net deferred tax liabilities recognised in the interim condensed consolidated statement of financial position	<b><u>101,561</u></b>	<u>—</u>

The Group has tax losses arising in Mainland China of RMB98,309 during the period (for the year ended 31 December 2023: Nil) 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

	<i>Note</i>	<b>30 June 2024 (Unaudited)</b>	31 December 2023 (Audited)
Reposessed assets	(a)	<b>8,060,000</b>	8,060,000
Prepayment and deposit		—	13,000,000
Other receivables		<b>3,779,027</b>	1,609,249
Deferred and prepaid expenses		<b><u>165,518</u></b>	<u>192,189</u>
Total		<b><u>12,004,545</u></b>	<u>22,861,438</u>

- (a) Reposessed assets are properties located at Quanzhou, Fujian Province in the PRC. The contracts which effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2023: RMB8,060,000) have not been obtained because these properties are still under development.

## 22. INTEREST-BEARING BORROWING

	<b>30 June 2024 (Unaudited)</b>	<b>31 December 2023 (Audited)</b>
Margin loan payable:		
Within one year	<b><u>8,860,960</u></b>	<b><u>9,894,844</u></b>

As at 30 June 2024, the annual interest rate of the loan above was 5.00% (31 December 2023: 5.00%).

The margin loan payable of RMB8.9 million as at 30 June 2024 (31 December 2023: RMB9.9 million) was secured by the pledge of certain listed equity investments amounting to RMB25,011,271 (31 December 2023: RMB25,159,011).

## 23. OTHER PAYABLES

	<b>30 June 2024 (Unaudited)</b>	<b>31 December 2023 (Audited)</b>
Dividends payable	<b>34,000,000</b>	—
Payrolls payable	<b>1,487,537</b>	3,603,799
Value-added tax, and surcharges payable	<b>743,975</b>	1,666,111
Deposits received	<b>100,000</b>	200,000
Others	<b><u>3,323,308</u></b>	<b><u>4,857,468</u></b>
Total	<b><u>39,654,820</u></b>	<b><u>10,327,378</u></b>

## 24. SHARE CAPITAL

	<b>30 June 2024 (Unaudited)</b>	<b>31 December 2023 (Audited)</b>
Issued and fully paid ordinary shares of RMB1 each	<b><u>680,000,000</u></b>	<b><u>680,000,000</u></b>



## **25. 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 Company 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 2024, the balance of the general reserve of the Group was RMB19.1 million (31 December 2023: RMB19.1 million), which is not lower than 1.5% of its risk assets.

## 26. NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Interest-bearing borrowing and interest payable	Lease liabilities	Amounts due to shareholders	Amounts due to non-controlling shareholders
At 1 January 2024 (Audited)	9,894,844	1,742,671	—	—
Changes from financing cash flows	(1,277,138)	(484,504)	—	(26,724,826)
2023 final dividend payable	—	—	34,000,000	8,177,677
Acquisition of non-controlling interests	—	—	—	18,547,149
Interest expense	243,254	34,866	—	—
At 30 June 2024 (Unaudited)	<u>8,860,960</u>	<u>1,293,033</u>	<u>34,000,000</u>	<u>—</u>
	Interest-bearing borrowing 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)
2022 final dividend payable	—	—	34,000,000	6,957,000
Interest expense	265,453	19,162	—	—
At 30 June 2023 (Unaudited)	<u>9,650,043</u>	<u>591,732</u>	<u>34,000,000</u>	<u>—</u>

### (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	
	2024	2023
	(Unaudited)	(Unaudited)
Within operating activities	97,984	55,828
Within financing activities	<u>484,504</u>	<u>618,648</u>
Total	<u>582,488</u>	<u>674,476</u>

## 27. RELATED PARTY DISCLOSURES

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	<u>980,057</u>	<u>958,062</u>

### (b) Loan facilitation services

During the Reporting Period, the Group provided loan facilitation services to a related party, Fujian Baiying Pawn Co., Ltd., and received a fee of RMB27,021 (for the six months ended 30 June 2023: RMB40,899).

### (c) 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 2024, the outstanding balance of the loans administered by Siming Baiying was RMB5.8 million (31 December 2023: RMB6.0 million).

### (d) Leases and property management fees

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
<b>Lease payments</b>		
Xiamen Septwolves Asset Management Co., Ltd.	66,716	66,716
Quanzhou Henghe Investment Development Co., Ltd.	417,788	522,235
<b>Lease income</b>		
Fujian Septwolves Group Finance Co., Ltd.	27,222	27,222
<b>Property management fees</b>		
Xiamen Huakaijixiang Property Management Co., Ltd.	21,606	—
Quanzhou JixiangFugui Property Management Co., Ltd.	77,751	63,677
Xiamen Huakaifugui Property Management Co., Ltd.	<u>—</u>	<u>26,536</u>

## 28. CONTINGENT LIABILITIES

As at 30 June 2024, 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.

## 29. 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 2024 (Unaudited)					Total
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash equivalents	148,495,199	—	—	—	—	148,495,199
Financial assets at fair value through profit or loss	20,139,638	189,099,076	40,000,000	—	—	249,238,714
Loans and accounts receivables	—	62,339,951	163,524,813	451,097,387	87,340,405	764,302,556
Other	<u>165,518</u>	<u>—</u>	<u>3,185,220</u>	<u>484,606</u>	<u>129,842,006</u>	<u>133,677,350</u>
Subtotal	<u>168,800,355</u>	<u>251,439,027</u>	<u>206,710,033</u>	<u>451,581,993</u>	<u>217,182,411</u>	<u>1,295,713,819</u>
Liabilities:						
Interest-bearing borrowing	—	—	—	8,860,960	—	8,860,960
Lease liabilities	—	—	228,828	638,301	425,904	1,293,033
Other	<u>—</u>	<u>—</u>	<u>40,357,458</u>	<u>556,982</u>	<u>217,855</u>	<u>41,132,295</u>
Subtotal	<u>—</u>	<u>—</u>	<u>40,586,286</u>	<u>10,056,243</u>	<u>643,759</u>	<u>51,286,288</u>
Net	<u>168,800,355</u>	<u>251,439,027</u>	<u>166,123,747</u>	<u>441,525,750</u>	<u>216,538,652</u>	<u>1,244,427,531</u>

31 December 2023 (Audited)						
				3 to		
	On demand	Overdue/ Undated	Less than 3 months	less than 12 months	After 12 months	Total
<b>Assets:</b>						
Cash and cash equivalents	111,484,915	—	—	—	—	111,484,915
Financial assets at fair value through profit or loss	70,327,086	179,345,829	—	—	—	249,672,915
Loans and accounts receivables	—	82,020,223	174,422,953	458,237,939	146,867,628	861,548,743
Other	<u>192,190</u>	<u>—</u>	<u>1,397,875</u>	<u>10,178,169</u>	<u>68,402,738</u>	<u>80,170,972</u>
Subtotal	<u>182,004,191</u>	<u>261,366,052</u>	<u>175,820,828</u>	<u>468,416,108</u>	<u>215,270,366</u>	<u>1,302,877,545</u>
<b>Liabilities:</b>						
Interest-bearing borrowing	—	—	975,653	8,919,191	—	9,894,844
Financial liabilities at fair value through profit or loss	—	842,127	—	—	—	842,127
Lease liabilities	—	—	231,604	684,076	826,991	1,742,671
Other	<u>—</u>	<u>—</u>	<u>21,760,038</u>	<u>—</u>	<u>116,353</u>	<u>21,876,391</u>
Subtotal	<u>—</u>	<u>842,127</u>	<u>22,967,295</u>	<u>9,603,267</u>	<u>943,344</u>	<u>34,356,033</u>
Net	<u>182,004,191</u>	<u>260,523,925</u>	<u>152,853,533</u>	<u>458,812,841</u>	<u>214,327,022</u>	<u>1,268,521,512</u>

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

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

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

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

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

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

The fair values of unlisted equity investments 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 2024 (Unaudited)**

	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	<u>141,669,076</u>	<u>60,139,638</u>	<u>47,430,000</u>	<u>249,238,714</u>

#### **As at 31 December 2023 (Audited)**

	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	<u>131,915,829</u>	<u>70,327,086</u>	<u>47,430,000</u>	<u>249,672,915</u>
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>842,127</u>	<u>—</u>	<u>842,127</u>

During the six months ended 30 June 2024, there were no significant transfers between Level 1 and Level 2 (six months ended 30 June 2023: Nil).

Significant unobservable input value in Level 3 fair value measurement

As at 30 June 2024 (Unaudited)	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investments	3,828,935	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	43,601,065	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
As at 31 December 2023 (Audited)	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Unlisted equity investments	3,828,935	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	43,601,065	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value

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

**Financial assets at fair value through profit or loss**

	2024 (Unaudited)	2023 (Unaudited)
At 1 January	47,430,000	112,613,186
Total gains recognised in profit or loss	—	7,759,412
Disposal	—	(16,000,000)
At 30 June	<u>47,430,000</u>	<u>104,372,598</u>

**Financial liabilities at fair value through profit or loss**

	2024 (Unaudited)	2023 (Unaudited)
At 1 January	—	(10,356,339)
Total losses recognised in profit or loss	—	(9,108,151)
Disposal	—	320,000
At 30 June	<u>—</u>	<u>(19,144,490)</u>

### **31. EVENTS AFTER THE REPORTING PERIOD**

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

### **32. OTHER SIGNIFICANT MATTERS**

In June 2024, the Group acquired an aggregate of 23% of the equity interests in JJHX from Xiamen Panhong Trading Co., Ltd. with a consideration of RMB82.96 million. In August 2024, equity change registration procedures have been completed and the percentage of equity interests in JJHX held by the Group has increased to 99.8%.

### **33. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 27 August 2024.



## 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 2023, 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 2024, the total loans granted to our customers amounted to RMB500.5 million. Our interest income from loans receivable was RMB59.0 million for the six months ended 30 June 2024.

We financed our operations primarily through a combination of share capital of our shareholders. 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 <b>30 June 2024</b>	As of 31 December 2023
Share capital ( <i>RMB in millions</i> )	<b>680.0</b>	680.0
Net capital ( <i>RMB in millions</i> ) <sup>(1)</sup>	<b>1,244.4</b>	1,268.5
Principal amount of outstanding loans ( <i>RMB in millions</i> )	<b>835.5</b>	925.9
Loan/net capital ratio <sup>(2)</sup>	<b>0.67 times</b>	0.73 times

*Notes:*

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

(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 decreased from RMB925.9 million as of 31 December 2023 to RMB835.5 million as of 30 June 2024, primarily because of the decreased capital needs of enterprises as the slow down in local economy growth.

### *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 <b>30 June 2024</b>		As of 31 December 2023	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Principal amount of outstanding loans:				
Revolving loans	<b>558,882</b>	<b>66.9</b>	629,104	67.9
Term loans	<b>276,662</b>	<b>33.1</b>	296,763	32.1
<b>Total</b>	<b>835,544</b>	<b>100.0</b>	925,867	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 2024		As of 31 December 2023	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Credit loans	—	—	1,400	0.2
Guaranteed loans	164,032	19.6	145,052	15.7
Collateral-backed loans				
— with guarantee	366,571	43.9	381,636	41.1
— without guarantee	304,941	36.5	397,779	43.0
<b>Total</b>	<b>835,544</b>	<b>100.0</b>	<b>925,867</b>	<b>100.0</b>

Our clients primarily include entrepreneurial individuals, SMEs, and microenterprises. As of 31 December 2023, the balance of outstanding loan of our largest client and five largest clients was RMB45.8 million and RMB144.2 million respectively, accounting of 4.9% and 15.6% of our total balance of outstanding loan. RMB0.2 million of interest receivables has been accrued from the five largest clients for the same period. As of 30 June 2024, the balance of outstanding loan of our largest client and five largest clients was RMB45.8 million and RMB144.2 million respectively, accounting for 5.5% and 17.3% of our total balance of outstanding loan. As of 30 June 2024, there was no accrued interest receivables from the five largest clients. The annual interest rates of the five largest clients range from 13.2% to 19.2% with the loan terms ranging from 12 to 36 months. Among the five largest clients, three are SMEs or microenterprises and two are entrepreneurial individuals, involving in manufacturing industry and finance industry. All the above loans are secured loans or collateral-backed loans.

### *Past due loans*

The principal amount of our past due loans was RMB108.3 million and RMB126.1 million as of 31 December 2023 and 30 June 2024, respectively, accounting for 11.7% and 15.1% of the total principal amount of our outstanding loans as of the same dates.

We had 30 past due loans with an aggregate principal amount of RMB108.3 million as of 31 December 2023. As of 30 June 2024, RMB11.6 million of the principal amount of these past due loans as of 31 December 2023 had been settled. As of 30 June 2024, the remaining portion of principal amount of past due loans as of 31 December 2023 was RMB96.7 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2023 was RMB23.6 million.

As of 30 June 2024, we had 21 past due loans with an aggregate principal amount of RMB126.1 million, and our allowance for impairment losses for these past due loans as of the same date was RMB32.9 million.

The principal amount of our past due loans increased from RMB108.3 million as of 31 December 2023 to RMB126.1 million as of 30 June 2024, mainly because some of our loans were overdue as a result of the current temporary cash flow difficulty of the borrowers. Since most of the past due loans were pledged or guaranteed by collaterals, the loss probability of such loans is low.

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 2024		As of 31 December 2023	
	RMB'000	%	RMB'000	%
Normal	392,721	47.0	479,513	51.7
Special-mention	370,986	44.4	373,628	40.4
Substandard	58,944	7.1	59,828	6.5
Doubtful	11,647	1.4	11,647	1.3
Loss	<u>1,246</u>	<u>0.1</u>	<u>1,251</u>	<u>0.1</u>
<b>Total</b>	<b><u>835,544</u></b>	<b><u>100.0</u></b>	<b><u>925,867</u></b>	<b><u>100.0</u></b>

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

Our “Substandard” loans decreased from RMB59.8 million as of 31 December 2023 to RMB58.9 million as of 30 June 2024 mainly because RMB0.9 million of the “Substandard” loans were recovered. During the Reporting Period, RMB4.0 million of the loans written off in previous years were recovered.

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 2024	As of/For the year ended 31 December 2023
	<i>(RMB'000, except for percentage)</i>	
<b>Non-performing loan ratio<sup>(1)</sup></b>	<b>8.6%</b>	7.9%
Balance of non-performing loans receivable	<b>71,837</b>	72,726
Balance of gross loans receivable	<b>836,634</b>	928,989
<b>Allowance coverage ratio<sup>(2)</sup></b>	<b>100.7%</b>	92.8%
<b>Allowance for loans losses<sup>(3)</sup></b>	<b>72,331</b>	67,480
Balance of non-performing loans receivable	<b>71,837</b>	72,726
<b>Provision for impairment losses ratio<sup>(4)</sup></b>	<b>8.6%</b>	7.3%
<b>Loss ratio<sup>(5)</sup></b>	<b>29.8%</b>	18.6%
Net charge of impairment allowance on loans receivable	<b>17,541</b>	26,127
Interest income	<b>58,955</b>	140,166

*Notes:*

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

Our non-performing loans receivable decreased from RMB72.7 million as of 31 December 2023 to RMB71.8 million as of 30 June 2024 because some loans were recovered. Our non-performing loan ratio increased from 7.9% as of 31 December 2023 to 8.6% as of 30 June 2024 as a result of the decrease 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 2024:

#### **Key requirements**

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

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

The *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))

(“**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.

#### **Compliance status**

Our Group complied with such requirement for the six months ended 30 June 2024.

Our Group complied with such requirement for the six months ended 30 June 2024.

Our Group complied with such applicable requirement for the six months ended 30 June 2024.

## Key requirements

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

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

Upon the listing of the H shares on the main board (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**”).

## Compliance status

Our Group complied with such requirement for the six months ended 30 June 2024.

Our Group complied with such requirement for the six months ended 30 June 2024.

Our Group complied with the Amended 70% Requirement for the six months ended 30 June 2024.

## 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 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:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Interest income on:</b>		
Loans and accounts receivables	<b>58,957</b>	68,389
<b>Interest expense on:</b>		
Margin loans	(243)	(265)
Lease liabilities	<u>(35)</u>	<u>(19)</u>
<b>Interest income, net</b>	<b><u>58,679</u></b>	<b><u>68,105</u></b>



### *Interest Income*

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

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

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
Average balance of outstanding performing loans <sup>(1)</sup> (RMB'000)	<b>608,735</b>	757,716
Average effective interest rate per annum <sup>(2)</sup>	<b>13.82%</b>	15.77%

#### *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. Our interest income decreased by 13.8% from RMB68.4 million for the six months ended 30 June 2023 to RMB59.0 million for the six months ended 30 June 2024. The average balance of our outstanding performing loans decreased by 19.7% from RMB757.7 million for the six months ended 30 June 2023 to RMB608.7 million for the six months ended 30 June 2024. Such decreases were primarily due to the decrease of the loan size. For the six months ended 30 June 2023 and 2024, our average effective interest rate per annum decreased from 15.8% to 13.8%. Such decrease was primarily due to the drop 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:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
Average balance of borrowings <sup>(1)</sup> (RMB'000)	<b>8,832</b>	10,586
Effective interest rate per annum <sup>(2)</sup>	<b>5.00%</b>	5.02%

#### *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 borrowings decreased from RMB10.6 million as of 30 June 2023 to RMB8.8 million as of 30 June 2024 due to the decreased loan size.

### *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 2023 and 2024 were RMB13.8 million and RMB17.7 million, respectively. Such increase was primarily due to the increase in provision for loans as a result of rising market credit risk.

### ***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:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Tax and surcharges	<b>438</b>	443
Staff costs:		
Salaries, bonuses and allowances	<b>4,832</b>	4,692
Other social welfare	<b>979</b>	935
Service fees	<b>1,426</b>	1,212
Depreciation and amortization	<b>1,772</b>	1,870
Others	<b>1,384</b>	1,056
	<hr/>	<hr/>
<b>Total operating and administrative expenses</b>	<b><u>10,831</u></b>	<b><u>10,208</u></b>

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fees, accounting for 4.3% and 4.0% of our operating and administrative expenses for the six months ended 30 June 2023 and 2024, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 55.1% and 53.7% of our operating and administrative expenses for the six months ended 30 June 2023 and 2024, respectively.

Our operating and administrative expenses slightly increased from RMB10.2 million for the six months ended 30 June 2023 to RMB10.8 million for the six months ended 30 June 2024 mainly because of the increases in staff costs and service fee.

### ***Net Investment Gains***

Our net gains of financial assets increased from RMB7.8 million for the six months ended 30 June 2023 to RMB12.4 million for the six months ended 30 June 2024 mainly due to (i) the unrealized gains on financial assets held at fair value of RMB13.7 million; and (ii) the dividends from listed securities of RMB1.4 million, partially offset by the losses from disposal of financial assets of RMB2.7 million.

### ***Other Income and Gains***

Our other income and gains consists of interest from bank deposits, government grants, gain on disposal of items of property and equipment and other gains. Our net other income and gains increased from RMB4.2 million for the six months ended 30 June 2023 to RMB4.5 million for the six months ended 30 June 2024 mainly due to (i) the increase in government grants of RMB0.6 million; and (ii) the decrease in other income of RMB0.3 million.

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

During the six months ended 30 June 2023 and 2024, 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 2023 and 2024 was RMB13.5 million and RMB10.1 million, respectively. Such decrease was primarily because of the decrease in profit before tax. Our effective tax rate was 23.9% and 21.6% 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 RMB42.8 million and RMB36.6 million for the six months ended 30 June 2023 and 2024, respectively. The profit attributable to owners of the parent company for the same period was RMB34.8 million and RMB33.3 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 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, decreased from -9.6% as of 31 December 2023 to -13.7% as of 30 June 2024, mainly because of the increase in cash and cash equivalents.

## ***Cash Flows***

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash flows from/(used in) operating activities	<b>118,664</b>	(12,722)
Net cash flows (used in) investing activities	<b>(53,212)</b>	(10)
Net cash flows (used in) financing activities	<b>(28,486)</b>	(37,110)
Net increase/(decrease) in cash and cash equivalents	<b>36,966</b>	(49,842)
Cash and cash equivalents at the beginning of the period	<b>111,485</b>	131,078
Effect of foreign exchange rate changes, net	<b>44</b>	235
Cash and cash equivalents at the end of the period	<b>148,495</b>	81,471

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

Net cash flows generated from operating activities for the six months ended 30 June 2024 was RMB118.7 million. Net cash flows generated from operating activities before working capital adjustment was RMB35.9 million. Cash inflows primarily consisted of: (i) the decrease in financial assets at fair value through profit or loss of RMB13.3 million; and (ii) the decrease in loan size resulting in the decrease in loans and accounts receivable of RMB96.4 million. Cash outflows primarily consisted of: (i) the increase in other assets of RMB2.2 million; and (ii) the decrease in other liabilities of RMB4.6 million.

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

For the six months ended 30 June 2024, our net cash flows used in investing activities was RMB53.2 million, which was mainly consisted of the payment under restructuring investment agreement.

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

For the six months ended 30 June 2024, our net cash flows used in financing activities was RMB28.5 million, which consisted of: (i) the repayment of interests on interest-bearing borrowings of RMB1.2 million; (ii) the lease payments of RMB0.5 million; (iii) the dividend paid to non-controlling shareholders of JJHX and Huizhixin of RMB8.2 million; and (iv) the payment of acquisition of non-controlling interests of Huizhixin of RMB18.5 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 borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2023 and 30 June 2024, the total cash and cash equivalents amounted to RMB111.5 million and RMB148.5 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 2023 and 30 June 2024, we had cash and cash equivalents of RMB111.5 million and RMB148.5 million, respectively. Such increase in our cash and cash equivalents was primarily due to the decrease in the balance of our loans.

#### *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 <b>30 June 2024</b> <i>RMB'000</i>	As of 31 December 2023 <i>RMB'000</i>
Net lease receivables	<b>193</b>	237
Loans receivable	<u><b>836,634</b></u>	<u>928,989</u>
<b>Total loans and accounts receivable</b>	<u><b>836,827</b></u>	<u>929,226</u>
Less: Allowance for impairment losses		
— Individual assessed	<b>(63,944)</b>	(57,022)
— Collective assessed	<u><b>(8,580)</b></u>	<u>(10,655)</u>
<b>Total allowance for impairment losses</b>	<u><b>(72,524)</b></u>	<u>(67,677)</u>
<b>Net loans and accounts receivable</b>	<u><b>764,303</b></u>	<u>861,549</u>

Our net loans and accounts receivable decreased from RMB861.5 million as of 31 December 2023 to RMB764.3 million as of 30 June 2024 primarily because the slow growth of national economic and the decreased capital needs of enterprises.

As of 30 June 2024, our maturity profiles within one year and over one year accounted for 88.9% and 11.1% 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 2024 <i>RMB'000</i>	%	As of 31 December 2023 <i>RMB'000</i>	%
Past due	<b>126,091</b>	<b>15.1</b>	108,295	11.7
Due within three months	<b>164,646</b>	<b>19.7</b>	181,632	19.6
Due between three months and six months	<b>71,130</b>	<b>8.5</b>	190,890	20.5
Due between six months and one year	<b>381,706</b>	<b>45.6</b>	298,357	32.1
Due over one year	<u><b>93,061</b></u>	<u><b>11.1</b></u>	<u>149,815</u>	<u>16.1</u>
<b>Total</b>	<u><b>836,634</b></u>	<u><b>100.0</b></u>	<u>928,989</u>	<u>100.0</u>

### *Goodwill*

Our goodwill remained at RMB14.7 million as of 31 December 2023 and 30 June 2024.

### *Other Intangible Assets*

Other intangible assets remained at RMB0.1 million as of 31 December 2023 and 30 June 2024.

### *Deferred Tax Assets*

The deferred tax assets slightly decreased from RMB32.6 million as of 31 December 2023 to RMB32.5 million as of 30 June 2024, mainly due to the adjustment of the fair value of financial assets at fair value through profit or loss.

### *Other Assets*

Our other assets decreased from RMB22.9 million as of 31 December 2023 to RMB12.0 million as of 30 June 2024 primarily due to the decrease in prepayments and deposits. The following table sets forth a breakdown of our other assets as of the dates indicated:

	<b>As of 30 June 2024 RMB'000</b>	<b>As of 31 December 2023 RMB'000</b>
Reposessed assets	<b>8,060</b>	8,060
Prepayment and deposit	<b>—</b>	13,000
Deferred and prepaid expenses	<b>3,779</b>	1,609
Other receivables	<b>166</b>	192
<b>Total other assets</b>	<b><u>12,005</u></b>	<b><u>22,861</u></b>

### *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 2023 and 30 June 2024, our other payables were RMB10.3 million and RMB39.7 million, respectively. Such increase was primarily due to (i) the increase in dividend payable of RMB34.0 million; and (ii) the decrease in payrolls payable of RMB2.1 million.

## ***Indebtedness***

### ***Interest-bearing Borrowings***

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

	<b>As of 30 June 2024 RMB'000</b>	<b>As of 31 December 2023 RMB'000</b>
Margin loans payable	<u>8,861</u>	<u>9,895</u>
<b>Total</b>	<u><b>8,861</b></u>	<u><b>9,895</b></u>

### ***Lease liabilities***

Our lease liabilities decreased from RMB1.7 million as of 31 December 2023 to RMB1.3 million as of 30 June 2024 mainly because of the lease payment of RMB0.5 million.

### ***Contingent Liabilities***

We had no significant contingent liabilities as of 30 June 2024.

### ***Capital Expenditures***

Our capital expenditures consist primarily of (i) the purchase of fixture and plants and machineries; and (ii) the consolidation of the assets of Sichuan Xianpai. The table sets forth our capital expenditures for the periods indicated:

	<b>For the six months ended 30 June 2024 RMB'000</b>	<b>2023 RMB'000</b>
Capital expenditures		
— Micro-credit business	<u>65,504</u>	<u>69</u>
<b>Total</b>	<u><b>65,504</b></u>	<u><b>69</b></u>

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

#### ***Capital Commitments***

We did not have any capital commitment during the Reporting Period.



### ***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 2024.

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

As of 30 June 2024, we did not have any off-balance sheet arrangements.

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

As disclosed in the discloseable and connected transaction announcement of the Company dated 25 June 2024 (the “**Announcement**”), Huizhixin, a non wholly-owned subsidiary of the Company, and the Company as the purchasers, respectively entered into the sale and purchase agreements with Xiamen Panhong Trading Co., Ltd. (廈門磐鴻貿易有限公司) as the vender to acquire a total of 23.0% of the entire equity interests in JJHX at a total consideration of approximately RMB83.0 million. As the date of this announcement, the acquisition has been completed. Approximately 99.8% of the entire equity interests in JJHX are held by the Group, and JJHX remains a non wholly-owned subsidiary of the Company. For more details, please refer to note 32 to the interim condensed consolidated financial information and the Announcement.

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 2024.

## **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 2024.

## **CHARGE ON OUR GROUP’S ASSETS**

As of 30 June 2024, we did not have any charges on our Group’s assets.

## **EMPLOYMENT AND EMOLUMENTS**

As of 30 June 2024, our Group had 54 employees, all of whom were based in 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 2024, 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 2024, downside risks of the global economy still exists, overall, the international macroeconomic environment that China is facing will improve, and some positive changes conducive to consolidating the rebound of China’s economy are likely to occur. In 2024, the U.S.-China relationship will continue to show a trend of moderation, and a new global industrial and supply chain network is being built at an accelerated pace. With the gradual implementation of macro-expansionary policies, the employment will improve, resident income will continue to rise, and the average consumption tendency will be restored, which will lead to a rebound in consumer demand. As China further encourages the development of private economy, the Group will adhere to the central idea of steady development in 2024, diversify its development, and actively seize any opportunity to explore various business models and expand its revenue sources to enhance shareholders’ returns.

## **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 C1 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 2023 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 C3 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 of the Company, 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 2024 (including sale of treasury Shares, if any).

## INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2024.

## EVENTS AFTER THE REPORTING PERIOD

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

## AUDIT COMMITTEE

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

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Interim Results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qzhuixin.net](http://www.qzhuixin.net)). The interim report for the six months ended 30 June 2024 containing all the information required by Appendix D2 to the Listing Rules will be published on the above websites in due course.

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

Hong Kong, 27 August 2024

*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