佐力科創小額貸款股份有限公司
(Zuoli Kechuang Micro-finance Company Limited*)

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6866)

2024 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of 佐力科創小額貸款股份有限公司 (Zuoli Kechuang Micro-finance Company Limited*) (the "**Company**") is pleased to announce the audited annual results (the "**Annual Results**") of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024, together with comparative figures for the corresponding period, 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 Annual Results.

ANNUAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024
*(Expressed in Renminbi ("**RMB**") '000, unless otherwise stated)*

	Note	2024 RMB'000	2023 RMB'000
Interest income		**196,354**	236,165
Interest and commission expenses		**(40,512)**	(49,016)
Net interest income	2	**155,842**	187,149
Other net income	3	**19,886**	(12,677)
Impairment losses	4	**(38,216)**	9,500
Administrative expenses		**(45,908)**	(52,881)
Profit before taxation	5	**91,604**	131,091
Income tax	6	**(26,207)**	(34,455)
Profit and total comprehensive income for the year		**65,397**	96,636
Attributable to:			
Equity shareholders of the Company		**62,440**	92,650
Non-controlling interests		**2,957**	3,986
Profit for the year		**65,397**	96,636
Earnings per share			
Basic and diluted (RMB)	9	**0.05**	0.08

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

(Expressed in RMB'000, unless otherwise stated)

	Note	31 December 2024 RMB'000	31 December 2023 RMB'000
Assets			
Cash and cash equivalents	10(a)	**10,515**	17,478
Interest receivables		**367**	940
Loans and advances to customers	11	**2,462,054**	2,522,351
Goodwill	12	**12,604**	18,005
Fixed assets	14	**29,514**	34,413
Deferred tax assets	19(b)	**62,372**	61,671
Other assets	15	**1,093**	2,459
Total assets		**2,578,519**	2,657,317
Liabilities			
Interest-bearing borrowings	16	**488,287**	593,519
Lease liabilities	17	**1,847**	2,938
Accruals and other payables	18	**22,210**	23,290
Current taxation	19(a)	**25,064**	34,856
Total liabilities		**537,408**	654,603
NET ASSETS		**2,041,111**	2,002,714
CAPITAL AND RESERVES	20		
Share capital		**1,180,000**	1,180,000
Reserves		**803,465**	764,625
Total equity attributable to equity shareholders of the Company		**1,983,465**	1,944,625
Non-controlling interests	13	**57,646**	58,089
TOTAL EQUITY		**2,041,111**	2,002,714

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

(Expressed in RMB'000, unless otherwise stated)

	Attributable to equity shareholders of the Company							
	Share capital	**Capital reserve**	**Surplus reserve**	**General risk reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 20(c)	*Note 20(d)(i)*	*Note 20(d)(ii)*	*Note 20(d)(iii)*				
Balance at 31 December 2023 and 1 January 2024	1,180,000	2,114	49,461	67,782	645,268	1,944,625	58,089	2,002,714
Changes in equity for year ended 31 December 2024:								
Profit and total comprehensive income for the year	—	—	—	—	62,440	62,440	2,957	65,397
Appropriation to surplus reserve	—	—	1,378	—	(1,378)	—	—	—
Appropriation to general risk reserve	—	—	—	(2,074)	2,074	—	—	—
Dividends to non-controlling shareholders approved in respect of the previous year *(Note 20(b))*	—	—	—	—	—	—	(3,400)	(3,400)
Dividends approved in respect of the previous year *(Note 20(b))*	—	—	—	—	(23,600)	(23,600)	—	(23,600)
Balance at 31 December 2024	1,180,000	2,114	50,839	65,708	684,804	1,983,465	57,646	2,041,111
Balance at 31 December 2022 and 1 January 2023	1,180,000	1,427	49,461	69,316	598,284	1,898,488	63,034	1,961,522
Changes in equity for year ended 31 December 2023:								
Profit and total comprehensive income for the year	—	—	—	—	92,650	92,650	3,986	96,636
Appropriation to general risk reserve	—	—	—	(1,534)	1,534	—	—	—
Acquisition of interest in subsidiary from non-controlling shareholders *(Note 13)*	—	687	—	—	—	687	(8,931)	(8,244)
Dividends approved in respect of the previous year *(Note 20(b))*	—	—	—	—	(47,200)	(47,200)	—	(47,200)
Balance at 31 December 2023	1,180,000	2,114	49,461	67,782	645,268	1,944,625	58,089	2,002,714

The accompanying notes form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024
(Expressed in RMB'000, unless otherwise stated)

	Note	**2024** **RMB'000**	2023 RMB'000
Operating activities			
Cash generated from operations	10(b)	**197,548**	330,362
PRC income tax paid	19(a)	**(36,700)**	(45,414)
Net cash generated from operating activities		**160,848**	284,948
Investing activities			
Proceeds from disposal of fixed assets		**58**	124
Payment for the purchase of fixed assets		**—**	(28)
Net cash generated from investing activities		**58**	96
Financing activities			
Proceeds from bank loans	10(c)	**25,000**	75,000
Proceeds from borrowings from third parties	10(c)	**—**	124,000
Proceeds from borrowings from Euro zone	10(c)	**120,061**	138,204
Repayment of bank loans	10(c)	**(25,000)**	(170,000)
Repayment of borrowings from third parties	10(c)	**(41,110)**	(281,620)
Repayment of borrowings from Euro zone	10(c)	**(184,831)**	(66,827)
Interest paid	10(c)	**(33,322)**	(44,846)
Capital element of lease rentals paid	10(c)	**(1,502)**	(2,353)
Interest element of lease rentals paid	10(c)	**(150)**	(155)
Payment for acquisition of interest in subsidiary from non-controlling shareholders	13	**—**	(8,244)
Dividends paid to equity shareholders of the Company	20(b)	**(23,600)**	(47,200)
Dividends paid to non-controlling shareholders	20(b)	**(3,400)**	—
Net cash used in financing activities		**(167,854)**	(284,041)
Net (decrease)/increase in cash and cash equivalents		**(6,948)**	1,003
Cash and cash equivalents at 1 January	10(a)	**17,478**	16,595
Effect of foreign exchange rate changes		**(15)**	(120)
Cash and cash equivalents at 31 December	10(a)	**10,515**	17,478

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB'000, unless otherwise stated)

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the financial assets measured at fair value through profit or loss (see note 1(j)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 24.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements — Classification of liabilities as current or non-current* ("2020 amendments") and amendments to HKAS 1, *Presentation of financial statements — Non-current liabilities with covenants* ("2022 amendments")

- Amendments to HKFRS 16, *Leases — Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures — Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements (the 2020 and 2022 amendments, collectively the "HKAS 1 amendments")

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

Upon the adoption of the amendments, the Group had reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

Amendments to HKFRS 16, Leases — Lease liability in a sale and leaseback

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: disclosures — Supplier finance arrangements

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these financial statements as the Group has not entered into any supplier finance arrangements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)).

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 1(m)).

(f) Investment property

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of investment properties to its residual value over its estimated useful life.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 1(r)(iii).

(g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 1(m)).

If significant parts of an item of fixed assets have different useful lives, then they are accounted for as separate items (major components). Any gain or loss on disposal of an item of fixed assets is recognised in profit or loss.

Depreciation is calculated to write off the cost of fixed assets, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful lives
Premises	20 years
Office and other equipment	5 years
Motor vehicles	5 years
Electronic equipment	5 years
Leasehold improvement	The shorter of the unexpired term of lease and 5 years
Right-of-use assets	Unexpired term of lease

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 1(m)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

— Computer software 5 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *As a lessee*

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(g) and 1(m)).

Refundable rental deposits are accounted for separately from the right-of-use assets. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'fixed assets' and presents lease liabilities separately in the consolidated statement of financial position.

(ii) ***As a lessor***

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(r)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Financial instruments

(i) *Recognition and measurement of financial assets and liabilities*

A financial asset or financial liability is recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those instruments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 21(e). These investments are subsequently accounted for as follows, depending on their classification.

On initial recognition, a financial asset is classified into one of the following measurement categories:

— amortised cost, if the financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method. (See note 1(r)(i)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the financial asset comprise solely payments of principal and interest and the financial asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial asset is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the financial asset does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the financial asset (including interest) are recognised in profit or loss.

(ii) *Credit loss and impairment of financial assets*

The Group recognises a loss allowance for expected credit losses ("ECL"s) to financial assets measured at amortised cost (including cash and cash equivalents, loans and advances to customers and other receivables);

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for financial instruments that are determined to have low credit risk at the reporting date, which are measured at 12-months ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

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

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) ***Fair value measurement principles***

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iv) ***Derecognition of financial assets and financial liabilities***

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

— the contractual rights to the cash flows from the financial asset expire; or

— the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(v) *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when, and only when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 1(t).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitors that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 1(j)(ii)).

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(o) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(p) Value-added-tax ("VAT")

Output VAT is calculated on taxable revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period. The tax rate of VAT is 6%.

(q) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) ***Interest income***

Interest income is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(ii) ***Government grants***

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iii) ***Rental income from operating leases***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(s) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

(t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 NET INTEREST INCOME

The principal activity of the Group is the provision of loans to customers in Zhejiang province, the PRC. The amount of each significant category of revenue recognised is as follows:

	2024	2023
	RMB'000	*RMB'000*
Interest income arising from		
Loans and advances to customers	**196,242**	236,053
Cash at banks	**112**	112
	196,354	236,165
Interest and commission expenses arising from		
Borrowings from non-bank institutions	**(39,251)**	(46,241)
Borrowings from banks	**(1,010)**	(2,528)
Lease liabilities	**(150)**	(155)
Bank charges	**(101)**	(92)
	(40,512)	(49,016)
Net interest income	**155,842**	187,149

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's net interest income during the years ended 31 December 2024 and 2023. Details of concentration of credit risk are set out in note 21(a).

For the years ended 31 December 2024 and 2023, the directors have determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing lending services which is the basis to allocate resources and assess performance of the Group.

The principal place of the Group's operation is Zhejiang province in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Zhejiang province as its place of domicile. All the Group's revenue and assets are principally attributable to Zhejiang province, being the main operating region.

3 OTHER NET INCOME

	2024	2023
	RMB'000	*RMB'000*
Government grants *(Note)*	**13,376**	—
Exchange gains/(losses)	**6,276**	(12,962)
Gains from disposal of fixed assets	**44**	143
Others	**190**	142
Total	**19,886**	(12,677)

Note: Government grants mainly represents the tax refund granted by local government.

4 IMPAIRMENT LOSSES

	2024	2023
	RMB'000	*RMB'000*
Loans and advances to customers *(Note 11)*	**(32,173)**	7,836
Interest receivables	**(575)**	2,435
Goodwill *(Note 12)*	**(5,401)**	(771)
Other assets	**(67)**	—
Total	**(38,216)**	9,500

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	2024	2023
	RMB'000	*RMB'000*
Salaries, bonuses and allowance	**12,818**	13,770
Contribution to retirement scheme	**936**	884
Social insurance and other benefits	**2,661**	2,987
Total	**16,415**	17,641

The Group is required to participate in the pension scheme organised by the municipal government of Zhejiang Province whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.

(b) Other items

	2024	2023
	RMB'000	*RMB'000*
Depreciation expenses *(Note 14)*		
— owned fixed assets	**3,402**	3,834
— right-of-used assets	**1,361**	2,210
— investment property	**398**	232
Operating lease charges	**10**	7
Auditors' remuneration		
— audit services	**3,200**	3,200
— other services	**80**	80

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents

	2024	2023
	RMB'000	*RMB'000*
Current tax *(Note 19(a))*		
Provision for PRC income tax for the year	**26,908**	37,312
Deferred tax *(Note 19(b))*		
Origination and reversal of temporary differences	**(701)**	(2,857)
Total	**26,207**	34,455

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	2024	2023
	RMB'000	*RMB'000*
Profit before taxation	**91,604**	131,091
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned *(Notes)*	**22,901**	32,773
Under-provision in respect of prior years	**—**	95
Effect of non-deductible expenses	**3,306**	1,587
Actual income tax expense	**26,207**	34,455

Notes:

(i) The Company and the subsidiaries of the Group incorporated in the PRC are subject to PRC income tax at the statutory tax rate of 25% for the year ended 31 December 2024 (2023: 25%).

(ii) No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2024 (2023: nil).

7 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

			2024		
	Fees	**Salaries, allowances and other benefits in kind**	**Pension scheme**	**Discretionary bonuses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Chairman					
Yu Yin (俞寅)	**6**	**271**	**21**	**60**	**358**
Executive directors					
Zheng Xuegen (鄭學根)	**6**	**359**	**43**	**120**	**528**
Yang Sheng (楊晟)	**6**	**568**	**43**	**120**	**737**
Hu Fangfang (胡芳芳)	**6**	**417**	**35**	**120**	**578**
Non-executive director					
Pan Zhongmin (潘忠敏)	**6**	**—**	**—**	**—**	**6**
Independent non-executive directors					
Chan Kin Man (陳健民)	**150**	**—**	**—**	**—**	**150**
Zhao Xuqiang (趙旭強)	**100**	**—**	**—**	**—**	**100**
Yang Jie (楊婕)	**100**	**—**	**—**	**—**	**100**
Supervisors					
Zhou Mingwan (周明萬)	**6**	**—**	**—**	**—**	**6**
Wang Peijun (王培軍)	**6**	**—**	**—**	**—**	**6**
Chen Qi (陳琦)	**6**	**327**	**18**	**10**	**361**
	398	**1,942**	**160**	**430**	**2,930**

	2023				
	Fees	Salaries, allowances and other benefits in kind	Pension scheme	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Yu Yin (俞寅)	6	559	40	120	725
Executive directors					
Zheng Xuegen (鄭學根)	6	372	40	120	538
Yang Sheng (楊晟)	6	581	40	120	747
Hu Fangfang (胡芳芳)	6	431	34	120	591
Non-executive director					
Pan Zhongmin (潘忠敏)	6	—	—	—	6
Independent non-executive directors					
Chan Kin Man (陳健民)	136	—	—	—	136
Zhao Xuqiang (趙旭強)	100	—	—	—	100
Yang Jie (楊婕)	100	—	—	—	100
Supervisors					
Zhou Mingwan (周明萬)	6	—	—	—	6
Wang Peijun (王培軍)	6	—	—	—	6
Chen Qi (陳琦)	6	332	17	20	375
	384	2,275	171	500	3,330

Except for Mr. Yu Yin, the Chairman, who has waived part of annual remuneration, no other directors or supervisors has waived any remuneration during the year ended 31 December 2024. No directors or supervisors had waived any remuneration during the year ended 31 December 2023.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2023: four) are directors or supervisors of the Group for the year ended 31 December 2024, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other individual are as follow:

	2024	2023
	RMB'000	*RMB'000*
Salaries and other emoluments	**364**	376
Discretionary bonuses	**120**	120
Pension scheme	**27**	25
	511	521

The emoluments of the one (2023: one) individual with the highest emoluments are within the following bands:

	2024	2023
	Number of individuals	Number of individuals
Hong Kong dollar		
Nil – 1,000,000	**1**	1
1,000,001 – 1,500,000	**—**	—

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2024 and 2023.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average of ordinary shares in issue during the year as follows:

	2024	2023
Profit attributable to the equity shareholders of the Company (RMB'000)	**62,440**	92,650
Weighted average number of ordinary shares in issue ('000)	**1,180,000**	1,180,000
Basic earnings per share (RMB)	**0.05**	0.08

(a) Weighted average number of ordinary shares

	2024	2023
	'000	*'000*
Issued ordinary shares at 1 January	**1,180,000**	1,180,000
Weighted average number of ordinary shares at 31 December	**1,180,000**	1,180,000

There were no dilutive potential ordinary shares during the years ended 31 December 2024 and 2023, and therefore, diluted earnings per share are the same as the basic earnings per share.

10 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Cash in hand	**2**	2
Cash at banks	**10,372**	17,309
Others	**141**	167
Cash and cash equivalents in the cash flow statement	**10,515**	17,478

(b) Reconciliation of profit before taxation to cash generated from operating activities

	2024 *RMB'000*	2023 *RMB'000*
Profit before taxation	**91,604**	131,091
Adjustment for:		
Impairment losses/(reversal)	**38,216**	(9,500)
Depreciation and amortisation	**5,161**	6,276
Exchange (gains)/losses	**(6,276)**	12,962
Interest expenses	**40,411**	48,924
Net gains on disposal of fixed assets	**(44)**	(143)
Changes in working capital:		
Decrease in loans and advances to customers	**28,124**	139,790
Decrease in interest receivables and other assets	**1,295**	680
(Decrease)/increase in accruals and other payables	**(943)**	282
Cash generated from operations	**197,548**	330,362

(c) **Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans *RMB'000*	Borrowings from third parties *RMB'000*	Borrowings from Euro zone *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
At 1 January 2024	25,015	41,248	527,256	2,938	596,457
Changes from financing cash flow					
Proceeds from bank loans	25,000	—	—	—	25,000
Repayment of bank loans	(25,000)	—	—	—	(25,000)
Repayment of borrowings from third parties	—	(41,110)	—	—	(41,110)
Proceeds from borrowings from Euro zone	—	—	120,061	—	120,061
Repayment of borrowings from Euro zone	—	—	(184,831)	—	(184,831)
Capital element of lease rentals paid	—	—	—	(1,502)	(1,502)
Interest element of lease rentals paid	—	—	—	(150)	(150)
Interest paid	(997)	(3,011)	(29,314)	—	(33,322)
Total changes from financing cash flows	(997)	(44,121)	(94,084)	(1,652)	(140,854)
Exchange adjustments	—	—	(6,291)	—	(6,291)
Other changes:					
Interest expense *(Note 2)*	1,010	2,873	36,378	150	40,411
Value-added tax	—	—	—	135	135
Increase in lease liabilities from entering into new leases during the year	—	—	—	276	276
Total other changes	1,010	2,873	36,378	561	40,822
At 31 December 2024	25,028	—	463,259	1,847	490,134

	Bank loans	Borrowings from third parties	Borrowings from Euro zone	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	120,143	200,581	439,208	1,946	761,878
Changes from financing cash flow					
Proceeds from bank loans	75,000	—	—	—	75,000
Repayment of bank loans	(170,000)	—	—	—	(170,000)
Proceeds from borrowings from third parties	—	124,000	—	—	124,000
Repayment of borrowings from third parties	—	(281,620)	—	—	(281,620)
Proceeds from borrowings from Euro zone	—	—	138,204	—	138,204
Repayment of borrowings from Euro zone	—	—	(66,827)	—	(66,827)
Capital element of lease rentals paid	—	—	—	(2,353)	(2,353)
Interest element of lease rentals paid	—	—	—	(155)	(155)
Interest paid	(2,656)	(13,111)	(29,079)	—	(44,846)
Total changes from financing cash flows	(97,656)	(170,731)	42,298	(2,508)	(228,597)
Exchange adjustments	—	—	12,842	—	12,842
Other changes:					
Interest expense *(Note 2)*	2,528	14,537	31,704	155	48,924
Commission payables of obtaining interest-bearing borrowings	—	(3,139)	1,204	—	(1,935)
Value-added tax	—	—	—	207	207
Increase in lease liabilities from entering into new leases during the year	—	—	—	6,532	6,532
Lease modifications	—	—	—	(3,394)	(3,394)
Total other changes	2,528	11,398	32,908	3,500	50,334
At 31 December 2023	25,015	41,248	527,256	2,938	596,457

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2024	2023
	RMB'000	*RMB'000*
Within operating cash flows	**10**	7
Within financing cash flows	**1,652**	2,508
Cash flows of rentals paid on leases	**1,662**	2,515

These amounts relate to the following:

	2024	2023
	RMB'000	*RMB'000*
Lease rentals paid	**1,662**	2,515

11 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2024	31 December 2023
	RMB'000	*RMB'000*
Corporate loans	**1,219,180**	1,146,973
Retail loans	**1,395,888**	1,526,958
Micro-loans granted online	**25,466**	26,963
Sub-total	**2,640,534**	2,700,894
Accrued interest	**15,734**	19,952
Gross loans and advances to customers	**2,656,268**	2,720,846
Less: Allowances for impairment losses	**(194,214)**	(198,495)
Net loans and advances to customers	**2,462,054**	2,522,351

(b) Analysed by type of collateral

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Unsecured loans	**27,870**	27,919
Guaranteed loans	**2,586,792**	2,644,055
Collateralized loans	**3,379**	8,392
Pledged loans	**22,493**	20,528
Sub-total	**2,640,534**	2,700,894
Accrued interest	**15,734**	19,952
Gross loans and advances to customers	**2,656,268**	2,720,846
Less: Allowances for impairment losses	**(194,214)**	(198,495)
Net loans and advances to customers	**2,462,054**	2,522,351

(c) Analysed by industry sector

	31 December 2024		31 December 2023	
	RMB'000	***%***	*RMB'000*	*%*
Wholesale and retail	**653,700**	**24%**	628,550	23%
Manufacturing	**131,380**	**5%**	117,223	4%
Construction	**148,700**	**5%**	138,200	5%
Agriculture, forestry, animal husbandry and fishery	**400**	**1%**	500	1%
Others	**285,000**	**11%**	262,500	9%
Corporate loans	**1,219,180**	**46%**	1,146,973	42%
Retail loans	**1,395,888**	**53%**	1,526,958	57%
Micro-loans granted online	**25,466**	**1%**	26,963	1%
Sub-total	**2,640,534**	**100%**	2,700,894	100%
Accrued interest	**15,734**		19,952	
Gross loans and advances to customers	**2,656,268**		2,720,846	
Less: Allowances for impairment losses	**(194,214)**		(198,495)	
Net loans and advances to customers	**2,462,054**		2,522,351	

(d) Overdue loans analysed by type of collateral and overdue period

	31 December 2024				
	Overdue within 3 months (inclusive)	**Overdue more than 3 months to 6 months (inclusive)**	**Overdue more than 6 months to one year (inclusive)**	**Overdue more than one year**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Unsecured loans	**113**	**61**	**1,415**	**13,546**	**15,135**
Guaranteed loans	**9,380**	**11,932**	**7,942**	**57,788**	**87,042**
Collateralized loans	**—**	**—**	**—**	**2,779**	**2,779**
Total	**9,493**	**11,993**	**9,357**	**74,113**	**104,956**

	31 December 2023				
	Overdue within 3 months (inclusive)	Overdue more than 3 months to 6 months (inclusive)	Overdue more than 6 months to one year (inclusive)	Overdue more than one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured loans	327	9	169	13,422	13,927
Guaranteed loans	17,167	6,552	23,375	56,399	103,493
Collateralized loans	—	—	500	6,892	7,392
Total	17,494	6,561	24,044	76,713	124,812

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for one day or more. All amounts are shown as gross amount of overdue loans and advances to customers before any allowances for impairment losses.

(e) Analysed by methods for assessing allowances for impairment losses

	31 December 2024			
	12-month ECLs	**Lifetime ECLs non credit-impaired**	**Lifetime ECLs credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Gross loans and advances to customers	**2,167,309**	**384,215**	**104,744**	**2,656,268**
Less: Allowances for impairment losses	**(62,817)**	**(37,021)**	**(94,376)**	**(194,214)**
Net loans and advances to customers	**2,104,492**	**347,194**	**10,368**	**2,462,054**

	31 December 2023			
	12-month ECLs	Lifetime ECLs non credit-impaired	Lifetime ECLs credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross loans and advances to customers	2,468,646	127,715	124,485	2,720,846
Less: Allowances for impairment losses	(74,987)	(13,480)	(110,028)	(198,495)
Net loans and advances to customers	2,393,659	114,235	14,457	2,522,351

(f) Movements of allowances for impairment losses

	2024			
	12-month ECLs	**Lifetime ECLs non credit-impaired**	**Lifetime ECLs credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
At 1 January 2024	**74,987**	**13,480**	**110,028**	**198,495**
Transferred to				
— Lifetime ECLs non credit-impaired	**(1)**	**1**	**—**	**—**
— Lifetime ECLs credit-impaired	**(340)**	**(1,039)**	**1,379**	**—**
(Reversal)/charge for the year	**(11,829)**	**24,579**	**19,423**	**32,173**
Write off	**—**	**—**	**(37,137)**	**(37,137)**
Recoveries of loans and advances written off in previous years	**—**	**—**	**683**	**683**
At 31 December 2024	**62,817**	**37,021**	**94,376**	**194,214**

	2023			
	12-month ECLs	Lifetime ECLs non credit-impaired	Lifetime ECLs credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	62,864	17,883	128,704	209,451
Transferred to				
— Lifetime ECLs non credit-impaired	(1)	1	—	—
— Lifetime ECLs credit-impaired	(620)	(47)	667	—
Charge/(reversal) for the year	12,744	(4,357)	(16,223)	(7,836)
Write off	—	—	(7,816)	(7,816)
Recoveries of loans and advances written off in previous years	—	—	4,696	4,696
At 31 December 2023	74,987	13,480	110,028	198,495

(g) Analysed by credit quality

	2024	2023
	RMB'000	*RMB'000*
Gross balance of loans and advances to customers that are assessed for 12-month ECLs		
— Neither overdue nor credit-impaired	**2,167,309**	2,468,646
Sub-total	**2,167,309**	2,468,646
Gross balance of loans and advances to customers that are assessed for lifetime ECLs non credit-impaired		
— Overdue but not credit-impaired	**212**	327
— Neither overdue nor credit-impaired	**384,003**	127,388
Sub-total	**384,215**	127,715
Gross balance of loans and advances to customers that are assessed for lifetime ECLs credit-impaired		
— Overdue and credit-impaired	**104,744**	124,485
Sub-total	**104,744**	124,485
Less: Allowances for impairment losses	**(194,214)**	(198,495)
Net value	**2,462,054**	2,522,351

12 GOODWILL

	RMB'000
Cost:	
At 1 January and 31 December 2024	22,502
Accumulated impairment losses:	
At 1 January 2023	(3,726)
Impairment loss	(771)
At 31 December 2023	(4,497)
Impairment loss	(5,401)
At 31 December 2024	(9,898)
Carrying amount:	
At 31 December 2024	12,604
At 31 December 2023	18,005

Goodwill is allocated to the Group's cash-generating units identified according to the micro-finance operations acquired as follows:

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Deqing Jinhui Micro-finance Company Limited (德清金匯小額貸款有限公司) ("Jinhui Micro-finance")	**12,604**	18,005

The Group acquired 96.9298% equity interest in Jinhui Micro-finance for a total consideration of RMB238.5 million on 1 July 2015. The excess of the acquisition costs over the share of net fair value of Jinhui Micro-finance's identifiable net assets of RMB18.0 million was recorded as goodwill and allocated to the micro-finance operation of Jinhui Micro-finance.

The Group acquired 60% equity interest in Xingyao Micro-finance for a total consideration of RMB130.0 million on 18 November 2016. The excess of the acquisition costs over the share of net fair value of Xingyao Micro-finance's identifiable net assets of RMB4.5 million was recorded as goodwill and allocated to the micro-finance operation of Xingyao Micro-finance. As at 31 December 2024 and 31 December 2023, the accumulated impairment losses of goodwill allocated to Xingyao Micro-finance amounted to RMB4.5 million.

Impairment test

The recoverable amount of the acquired subsidiaries is greater of its fair value less costs of disposal and value in use. For Jinhui Micro-finance, the recoverable amount is determined on value in use calculation. In assessing value in use, the calculations of the acquired subsidiaries are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond five-year period of Jinhui Micro-finance are extrapolated using an estimated weighted average growth rate of 2.4%, which is consistent with Jinhui Micro-finance's development strategy and the forecasts included in industry reports. The growth rate used do not exceed the long-term average growth rates for micro-finance operations in the past. The cash flows are discounted using discount rates of 7.76% by Jinhui Micro-finance at 31 December 2024 (2023: 9.36%). The discounted rate is pre-tax and reflect specific risks relating to Jinhui Micro-finance.

The impairment loss of RMB5.4 million recognised in "Impairment losses" during the year solely relates to Jinhui Micro-finance's operation (the cash-generate unit, the "CGU"). As the CGU has been reduced to its recoverable amount of RMB1,920.8 million which is determined by value-in-use approach, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

13 INVESTMENTS IN SUBSIDIARIES

The following list contains all the subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest at 31 December 2024 and 31 December 2023		
Name of Companies	**Place of incorporation and business**	**Paid-up capital**	**Group's effective interest**	**Held by the Company**	**Principal activities**
Deqing Jinhui Micro-finance Company Limited (德清金匯小額貸款有限公司) ("Jinhui Micro-finance") *(Note (i))*	Deqing, Zhejiang	1,228,000,000	99.76%	99.76%	Micro-finance
Zuoli Micro-finance Hong Kong International Investment Company Limited (佐力小貸香港國際投資有限公司) ("Zuoli HK") *(Note (ii))*	Hong Kong	—	100.00%	100.00%	Investment, trading
Hangzhou High-tech District (Binjiang) Xing Yao Pu Hui Micro-finance Co., Ltd. (杭州市高新區(濱江)興耀普匯小額貸款有限公司) ("Xingyao Micro-finance") *(Note (iii))*	Hangzhou, Zhejiang	100,000,000	66.00%	66.00%	Micro-finance

Notes:

(i) Pursuant to the equity transfer agreements and the supplemental agreement entered into by the Company and a non-controlling shareholders of Jinhui Micro-finance dated 25 January 2021 and 6 July 2021, the Company acquired 0.33% equity interest in Jinhui Micro-finance at a consideration of RMB4.8 million after obtaining approvals from relevant authorities in the PRC. Upon the completion of the aforementioned acquisition, the Company's equity interest in Jinhui Micro-finance increased from approximately 99.43% to 99.76%. As at 31 December 2022, the Company had paid RMB4.8 million in accordance with the payment plan in the supplemental agreement. The difference between the acquisition consideration and the carrying amount of the 0.33% equity interest in Jinhui Micro-finance amounted to RMB447 thousand was recorded as Reserves-Capital reserve in the consolidated statement of financial position as at 31 December 2021.

(ii) On 18 August 2015 (date of incorporation), Zuoli HK's 1,000,000 shares with par value of HK$1 was allotted and issued to its sole shareholder, the Company. As at 31 December 2024, the issued shares had not been paid by the Company.

(iii) Pursuant to the equity transfer agreements entered into by the Company and non-controlling shareholders of Xingyao Micro-finance in 2022, the Company acquired 6.00% equity interest in Xingyao Micro-finance at total consideration of RMB8,244 thousand after obtaining approvals from PRC relevant authorities on 9 February 2023. Upon the completion of the aforementioned acquisition, the Company's equity interest in Xingyao Micro-finance increased from 60.00% to 66.00%. As at 31 December 2023, the Company had paid RMB8,244 thousand in accordance with the equity transfer agreements. The difference between the acquisition consideration and the carrying amount of the 6.00% equity interest in Xingyao Micro-finance amounted to RMB687 thousand was recorded as Reserves-Capital reserve in the consolidated statement of financial position as at 31 December 2023.

The following tables lists out the information relating to Xingyao Micro-finance which has a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2024	2023
	RMB'000	*RMB'000*
NCI Percentage	**34%**	34%
Total assets	**158,919**	160,888
Total liabilities	**(3,087)**	(3,330)
Net assets	**155,832**	157,558
Carrying amount of NCI	**52,983**	53,570
Net interest income	**13,769**	17,872
Profit and total comprehensive income for the year	**8,276**	10,666
Profit allocated to NCI	**2,814**	3,744
Net cash generated from operating activities	**5,638**	10,219
Net cash used in investing activities	**(2,178)**	(7,021)
Net cash used in financing activities	**(10,324)**	(311)

14 FIXED ASSETS

(a) Reconciliation of carrying amount

	Premises for own use *RMB'000*	Right-of-use assets *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Leasehold improvement *RMB'000*	Sub-total *RMB'000*	Investment property *RMB'000*	Total *RMB'000*
Cost:									
At 1 January 2023	22,115	8,899	3,964	4,456	2,023	35,883	77,340	—	77,340
Transfer into investment property	(15,108)	—	—	—	—	—	(15,108)	15,108	—
Additions	—	6,532	—	—	28	—	6,560	—	6,560
Retirement	—	(11,345)	(62)	(918)	—	—	(12,325)	—	(12,325)
At 31 December 2023 and 1 January 2024	7,007	4,086	3,902	3,538	2,051	35,883	56,467	15,108	71,575
Additions	—	276	—	—	—	—	276	—	276
Retirement	—	(818)	—	(302)	—	—	(1,120)	—	(1,120)
At 31 December 2024	7,007	3,544	3,902	3,236	2,051	35,883	55,623	15,108	70,731
Accumulated depreciation:									
At 1 January 2023	(2,978)	(6,827)	(3,538)	(4,305)	(1,832)	(20,356)	(39,836)	—	(39,836)
Transfer into investment property	2,386	—	—	—	—	—	2,386	(2,386)	—
Charge for the year	(499)	(2,210)	(263)	(13)	(54)	(3,005)	(6,044)	(232)	(6,276)
Retirement	—	7,990	59	901	—	—	8,950	—	8,950
At 31 December 2023 and 1 January 2024	(1,091)	(1,047)	(3,742)	(3,417)	(1,886)	(23,361)	(34,544)	(2,618)	(37,162)
Charge for the year	(333)	(1,361)	(22)	—	(42)	(3,005)	(4,763)	(398)	(5,161)
Retirement	—	818	—	288	—	—	1,106	—	1,106
At 31 December 2024	(1,424)	(1,590)	(3,764)	(3,129)	(1,928)	(26,366)	(38,201)	(3,016)	(41,217)
Net book value:									
At 31 December 2024	5,583	1,954	138	107	123	9,517	17,422	12,092	29,514
At 31 December 2023	5,916	3,039	160	121	165	12,522	21,923	12,490	34,413

Note: As at 31 December 2024, the fair value of the investment property amounted to RMB16.5 million (As at 31 December 2023: RMB19.1 million).

(b) Right-of-use assets

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Premises leased for own use, carried at depreciated cost	**1,954**	3,039

15 OTHER ASSETS

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Prepayment	**654**	763
Others	**439**	1,696
	1,093	2,459

All other assets were expected to be recovered or recognised as expenses within one year.

16 INTEREST-BEARING BORROWINGS

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Bank loans *(Note (i))*		
— Amortised cost	**25,000**	25,000
— Accrued interest	**28**	15
	25,028	25,015
Borrowings from third parties *(Note (ii))*		
— Amortised cost	**—**	40,494
— Accrued interest	**—**	754
	—	41,248
Borrowings from Euro zone *(Note (iii))*		
— Amortised cost	**458,369**	524,653
— Accrued interest	**4,890**	2,603
	463,259	527,256
Total	**488,287**	593,519

Notes:

(i) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2024 and 31 December 2023, none of the covenants relating to the bank loans had been breached.

(ii) In 2024, the Group repaid financings with nominal amount totaling RMB41.1 million, which are guaranteed by certain shareholders and related parties. As at 31 December 2024, there is no remaining balance of these financings.

(iii) In 2024, the Group repaid financings with nominal amount totaling EUR8.3 million. As at 31 December 2024, the remaining balance of these financing was EUR16.4 million with an interest rate of 4.25% per annum, which are due from April 2025 to November 2025. These borrowings are guaranteed by the Jinhui Micro-finance.

In 2024, the Group obtained financing with nominal amount totaling CNH121.2 million at an interest rate ranging from 6.5% to 6.8% per annum from a financial institution located in Euro zone, which are due from July 2025 to January 2029, and repaid financings with nominal amount totaling CNH120.6 million. As at 31 December 2024, the remaining balance of these financing was CNH337.8 million. Among these borrowings, nominal amount totaling CNH161.6 million at an interest rate ranging from 6.8% to 8.03% per annum are guaranteed by the Jinhui Micro-finance, which are due from July 2025 to May 2027. Besides, nominal amount totaling CNH32.5 million at an interest rate of 6.6% per annum are guaranteed by Jinhui Micro-finance and Deqing Puhua Energy Co., Ltd., which are due in January 2029.

The financing is subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratio, as are commonly found in the lending arrangements with financial institutions. If the Group was to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants.

17 LEASE LIABILITIES

	At 31 December 2024		At 31 December 2023	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	**1,295**	**1,322**	1,339	1,366
After 1 year but within 2 years	**552**	**596**	1,085	1,192
After 2 years but within 5 years	**—**	**—**	514	596
	1,847	**1,918**	2,938	3,154
Less: total future interest expenses		**(71)**		(216)
Present value of lease liabilities		**1,847**		2,938

18 ACCRUALS AND OTHER PAYABLES

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Accrued staff costs	**4,144**	4,877
Value-added tax payable	**2,161**	2,374
Tax and surcharges and other taxation payable	**980**	1,346
Guarantee deposit	**5,117**	5,117
Auditors' remuneration payable	**2,198**	2,198
Others	**7,610**	7,378
	22,210	23,290

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements in current taxation in the consolidated statement of financial position are as follows:

	31 December 2024 *RMB'000*	31 December 2023 *RMB'000*
Balance of income tax payable at the beginning of the year	**34,856**	42,958
Provision for PRC income tax for the year *(Note 6(a))*	**26,908**	37,312
Income tax paid during the year	**(36,700)**	(45,414)
Balance of income tax payable at the end of the year	**25,064**	34,856

(b) Deferred tax assets recognised

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the years ended 31 December 2024 and 2023 are as follows:

Deferred tax assets arising from:	**Provision for impairment losses** *RMB'000*	**Accrued expenses** *RMB'000*	**Tax deductible losses** *RMB'000*	**Exchange losses/ (gains)** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	56,611	59	—	2,144	58,814
(Credited)/charged to profit or loss *(Note 6(a))*	(1,137)	(2)	1,801	2,195	2,857
At 31 December 2023 and 1 January 2024	55,474	57	1,801	4,339	61,671
Charged/(credited) to profit or loss *(Note 6(a))*	2,343	(2)	(857)	(783)	701
At 31 December 2024	57,817	55	944	3,556	62,372

Note: As at 31 December 2024, the balance of deferred tax assets/liabilities arising from lease liabilities and right-of-use assets was RMB480 thousand and RMB480 thousand respectively.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital *RMB'000* *Note 20(c)*	**Surplus reserve** *RMB'000* *Note 20(d)(ii)*	**General risk reserve** *RMB'000* *Note 20(d)(iii)*	**Retained profits** *RMB'000*	**Total** *RMB'000*
Balance at 31 December 2023 and 1 January 2024	**1,180,000**	**49,461**	**27,261**	**48,590**	**1,305,312**
Changes in equity for 2024:					
Total comprehensive income for the year	**—**	**—**	**—**	**13,785**	**13,785**
Appropriation to surplus reserve	**—**	**1,378**	**—**	**(1,378)**	**—**
Appropriation to general risk reserve	**—**	**—**	**(1,075)**	**1,075**	**—**
Dividends approved in respect of the previous year	**—**	**—**	**—**	**(23,600)**	**(23,600)**
Balance at 31 December 2024	**1,180,000**	**50,839**	**26,186**	**38,472**	**1,295,497**

	Share capital *RMB'000* *Note 20(c)*	Surplus reserve *RMB'000* *Note 20(d)(ii)*	General risk reserve *RMB'000* *Note 20(d)(iii)*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 31 December 2022 and 1 January 2023	1,180,000	49,461	26,848	108,288	1,364,597
Changes in equity for 2023:					
Total comprehensive income for the year	—	—	—	(12,085)	(12,085)
Appropriation to general risk reserve	—	—	413	(413)	—
Dividends approved in respect of the previous year	—	—	—	(47,200)	(47,200)
Balance at 31 December 2023	1,180,000	49,461	27,261	48,590	1,305,312

(b) Dividends

At the annual general meeting held on 25 June 2024, the cash dividends of RMB0.02 per share before tax in an aggregate amount of RMB23.6 million was approved to declare to all equity shareholders of the Company and paid during the year ended 31 December 2024. The dividend was attributable to the year of 2023.

At the annual general meeting held on 29 June 2023, the cash dividends of RMB0.04 per share before tax in an aggregate amount of RMB47.2 million was approved to declare to all equity shareholders of the Company and paid during the year ended 31 December 2023. The dividend was attributable to the year of 2022.

At the Xingyao Micro-finance's shareholders' meeting held on 6 June 2024, the cash dividend of RMB10.0 million was approved to declare to all equity shareholders and paid during the year ended 31 December 2024. The dividend was attributable to the year of 2023 (2023: nil).

(c) Share capital

As at 31 December 2024, the share capital represented 1,180,000,000 ordinary shares of the Company at RMB1 each.

(d) Nature and purpose of reserves

(i) *Capital reserve*

The capital reserve represents the increase of equity interest in Jinhui Micro-finance and Xingyao Micro-finance arising from the capital injection to Jinhui Micro-finance and acquiring equity interest in Jinhui Micro-finance and Xingyao Micro-finance from non-controlling shareholders. For details, please see note 13.

(ii) *Surplus reserve*

The surplus reserve represents statutory surplus reserve fund. The Group is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of 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 Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, discretionary surplus reserves may be used to offset previous years' losses, if any, and may be converted into capital.

(iii) *General risk reserve*

Pursuant to relevant regulations, the Company and its subsidiaries in the PRC engaged in micro-finance business are required to set aside a general risk reserve through appropriations of profit after tax according to 1.5% of the ending balance of gross risk-bearing assets to cover potential losses against these assets.

(e) Appropriation of profits

(i) In accordance with the resolution of the Company's board of directors meeting on 18 March 2025, the proposed profit appropriations for the year ended 31 December 2024 are as follows:

— Appropriate RMB1.4 million (10% of the net profit of the Company) to surplus reserve;

— Appropriate RMB1.1 million from general risk reserve to retained profits.

The profit appropriation resolution mentioned above has yet to be approved by the Company's shareholders.

(ii) At the Annual General Meeting of shareholders held on 25 June 2024, the shareholders approved the following profit appropriations for the year ended 31 December 2023:

— Appropriate RMB0.4 million from retained profits to general risk reserve.

(f) Distributable reserves

At 31 December 2024 and 31 December 2023, the aggregate amounts of reserves available for distribution to shareholders of the Company, as calculated under the provisions of Company Law of the PRC, were RMB38.5 million and RMB48.6 million respectively.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and stability resulted from a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the years ended 31 December 2024 and 2023.

Particularly for credit loan business, the Group monitors regularly the residual balance of outstanding credit loans for single customers and multiples of the total outstanding credit loans in relation to share capital of the Group, so as to keep the capital risk within an acceptable limit. The decision to manage the share capital of the Group to meet the needs of developing credit loans business rests with the directors.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations or commitment to the Group provided. It arises primarily from the Group's micro-finance business and treasury business such as investment in wealth management products.

Credit risk arising from micro-finance business

The Group's credit risk mainly arises from micro-finance business. The Group has established relevant mechanism to cover credit risk in key operational phases of micro-finance business, including pre-lending evaluations, credit approval, and post-lending monitoring. The Group conducts customer acceptance and due diligence by business and marketing department and risk management department in pre-lending evaluations. In the credit approval phase, all loan applications are subject to the assessment and approval of the Group's deputy general manager, general manager or loan assessment committee, depending on the amount of the loans. During the post-lending monitoring, the Group conducts on-site inspections and off-site inquiries to detect potential risks by evaluating various aspects, including but not limited to the customers' operational and financial conditions, status of collaterals and other sources of repayment.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss of the loan portfolio is assessed collectively or individually as appropriate.

After adopting HKFR 9 at 1 January 2018, loans and advances to customers are also categorised into the following stages by the Group:

Stage 1

Loans and advances to customers have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses (12-month ECLs).

Stage 2

Loans and advances to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses (Lifetime ECLs non credit-impaired).

Stage 3

Loans and advances to customers that are in default and considered credit impaired (Lifetime ECLs credit-impaired).

The Group applies the ECL model to measure the impairment loss of the loans and advances to customers.

When a certain number of customers undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to a particular industry or geographic location. As the Group mainly conducts micro-finance business in Zhejiang Province, a certain level of geographical concentration risk exists for its loan portfolios in that it might be affected by changes of economic conditions. At 31 December 2024, 1.89% (31 December 2023: 1.84%) and 7.42% (31 December 2023: 7.16%) of the total loans and advances to customers was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk of loans and advances to customers for each stage is represented by the net carrying amount of each type of financial assets as at the end of the reporting periods. For details, please see note 11.

Other credit risk

The Group adopts a credit rating approach in managing the credit risk of the treasury business, counterparties' rating are evaluated before transactions with reference to major rating agencies generally recognised by the People's Bank of China.

In respect of interest receivables and other assets, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

(b) Liquidity risk

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following tables provide an analysis of the remaining contractual maturities, which are based on contractual undiscounted cash flows (including interest payments, computed using contractual rates) of the financial assets and liabilities of the Group at the end of the reporting periods:

	31 December 2024					
	Overdue/ Repayment on demand *RMB'000*	**Within three months** *RMB'000*	**Between three months and one year** *RMB'000*	**Between one year and five years** *RMB'000*	**Total** *RMB'000*	**Carrying amount** *RMB'000*
Assets						
Cash and cash equivalents	10,515	—	—	—	10,515	10,515
Interest receivables	367	—	—	—	367	367
Loans and advances to customers	104,956	335,708	2,264,110	20,317	2,725,091	2,462,054
Other assets	439	—	—	—	439	439
Total	116,277	335,708	2,264,110	20,317	2,736,412	2,473,375
Liabilities						
Interest-bearing borrowings	—	(3,807)	(337,593)	(180,012)	(521,412)	(488,287)
Lease liabilities	—	(596)	(726)	(596)	(1,918)	(1,847)
Accruals and other payables	(14,925)	—	—	—	(14,925)	(14,925)
Total	(14,925)	(4,403)	(338,319)	(180,608)	(538,255)	(505,059)
	101,352	331,305	1,925,791	(160,291)	2,198,157	1,968,316

	31 December 2023					
	Overdue/ Repayment on demand	Within three months	Between three months and one year	Between one year and five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets						
Cash and cash equivalents	17,478	—	—	—	17,478	17,478
Interest receivables	940	—	—	—	940	940
Loans and advances to customers	124,357	384,144	2,263,799	19,073	2,791,373	2,522,351
Other assets	1,696	—	—	—	1,696	1,696
Total	144,471	384,144	2,263,799	19,073	2,811,487	2,542,465
Liabilities						
Interest-bearing borrowings	—	(17,286)	(264,473)	(366,626)	(648,385)	(593,519)
Lease liabilities	—	(770)	(596)	(1,788)	(3,154)	(2,938)
Accruals and other payables	(14,693)	—	—	—	(14,693)	(14,693)
Total	(14,693)	(18,056)	(265,069)	(368,414)	(666,232)	(611,150)
	129,778	366,088	1,998,730	(349,341)	2,145,255	1,931,315

(c) Interest risk

The Group is principally engaged in the provision of micro-finance services. Its interest rate risk arises primarily from deposits with banks, loans and advances to customers and interest-bearing borrowings.

(i) *Interest rate profile*

The following tables details the interest rate profile of the Group's assets and liabilities as at the end of the reporting periods:

	31 December 2024 ***RMB'000***	31 December 2023 *RMB'000*
Fixed interest rate		
Financial asset		
— Loans and advances to customers	**2,462,054**	2,522,351
Financial liabilities		
— Interest-bearing borrowings	**(488,287)**	(593,519)
— Leased liabilities	**(1,847)**	(2,938)
Net	**1,971,920**	1,925,894
Variable interest rate		
Financial asset		
— Cash and cash equivalent	**10,372**	17,309
Net	**10,372**	17,309
Net fixed rate borrowings as a percentage of total borrowings	**100.00%**	100.00%

(ii) *Sensitivity analysis*

At 31 December 2024 and 31 December 2023, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the Group's net profit during the next 12 months by approximately RMB39,000 and RMB65,000 respectively.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period.

(d) Currency risk

The Group is exposed to currency risk primarily through obtaining interest-bearing borrowings that are denominated in Euros. The currencies giving rise to this risk are primarily Euros.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure to foreign currencies	
	2024	2023
	Euros	Euros
	RMB'000	*RMB'000*
Interest-bearing borrowings	**(124,527)**	(195,802)
	(124,527)	(195,802)

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after tax that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the list of foreign currency and the RMB would be materially unaffected by any changes in movement in value of the list of foreign currency against other currencies.

	2024		2023	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	bps	***RMB'000***	*bps*	*RMB'000*
Euros	**100**	**(934)**	100	(1,469)
	(100)	**934**	(100)	1,469

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Group's profit after tax in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

As at 31 December 2024 and 31 December 2023, there were no financial instruments measured at fair value of the Group.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values at 31 December 2024 and 31 December 2023.

22 COMMITMENTS

As at 31 December 2024 and 31 December 2023, there is no capital commitment of the Group.

23 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

	2024	2023
	RMB'000	*RMB'000*
Key management personnel remuneration *(Note (i))*	**2,930**	3,330
Receiving guarantees for bank loans *(Note (ii))*	**25,000**	75,000
Receiving guarantees for borrowing from third parties *(Note (iii))*	**—**	124,000
Releasing guarantees for bank loans *(Note (ii))*	**(25,000)**	(170,000)
Releasing guarantees for borrowing from third parties *(Note (iii))*	**(41,110)**	(281,620)

Notes:

(i) Remuneration of key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 7 and certain of the highest payment employs as disclosed in note 8. Total remuneration is included in "Staff cost" (see note 5(a)).

(ii) The guarantees for bank loans during the year ended 31 December 2024 were provided by the Chairman of the Board without charges. For the details of bank loans, please refer to note 16(i).

(iii) The guarantees for borrowings from third parties during the year ended 31 December 2023 were provided by the Chairman of the Board without charges. For the details of borrowings from third parties, please refer to note 16(ii).

(b) Balances with key management personnel

	31 December 2024	31 December 2023
	RMB'000	*RMB'000*
Guarantees received for borrowing from third parties	**—**	41,110
Guarantees received for bank loans	**25,000**	25,000

(c) Other related party transactions

	2024	2023
	RMB'000	*RMB'000*
Administrative expenses *(Note (i))*	**1,004**	1,142
Depreciation expense of right-of-use assets *(Note (ii))*	**1,088**	1,937
Interest expense of lease liabilities *(Note (ii))*	**146**	133
Receiving guarantees for bank loans *(Note (iii))*	**25,000**	75,000
Receiving guarantees for borrowing from third parties *(Note (iv))*	**—**	124,000
Receiving guarantees for borrowings from Euro zone *(Note (v))*	**32,504**	—
Releasing guarantees for bank loans *(Note (iii))*	**(25,000)**	(170,000)
Releasing guarantees for borrowing from third parties *(Note (iv))*	**(41,110)**	(281,620)

Notes:

(i) The utilities and entertainment fees were paid to Zuoli Holdings Group Company Limited and its subsidiary.

(ii) On 6 July 2023, the Company and Zuoli Holdings Group Company Limited entered into a new lease agreement, pursuant to which Zuoli Holdings Group Company Limited agreed to lease a property to the Group for a term of 3 years commencing from 7 July 2023 and ending on 6 July 2026.

(iii) The guarantees for bank loans during the year ended 31 December 2024 were provided by other related parties of the Group without charges. For the details of bank loans, please refer to note 16(i).

(iv) The guarantees for borrowings from third parties during the year ended 31 December 2023 were provided by other related parties of the Group without charges. For the details of borrowings from third parties, please refer to note 16(ii).

(v) The guarantees for borrowings from Euro zone during the year ended 31 December 2024 were provided by other related parties of the Group without charges. For the details of borrowings from Euro zone, please refer to note 16(iii).

(d) Balances with other related parties

	31 December 2024	31 December 2023
	RMB'000	*RMB'000*
Lease liabilities	**1,719**	2,765
Guarantees received for bank loans	**25,000**	25,000
Guarantees received for borrowing from third parties	**—**	41,110
Guarantees received for borrowing from Euro zone	**32,504**	—

24 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, the key sources of estimation uncertainty are as follows:

(a) Impairment of financial assets measured at amortised cost

The Group reviews portfolios of financial assets measured at amortised cost to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for financial assets measured at amortised cost. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for financial assets measured at amortised cost using the expected credit loss model is subjected to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. The expected credit losses for financial assets measured at amortised cost are derived from estimates whereby management takes into consideration historical data, the historical loss experience and other adjustment factors. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgment based on management's historical experience. Management reviews the selection of those parameters and the application of the assumptions regularly to reduce any difference between loss estimates and actual loss.

(b) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in note 1(m). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(c) Depreciation and amortisation

Fixed assets and intangible assets are depreciated and amortized using the straight-line method over their useful lives after taking into account estimated residual value. The useful lives and residual value are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives are determined based on historical experience of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation, the rate of depreciation is revised.

(d) Tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(e) Determining the lease term

As explained in policy note 1(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

25 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2024** **RMB'000**	31 December 2023 RMB'000
Assets			
Cash and cash equivalents		**162**	1,092
Fixed assets		**17,098**	19,349
Investments in subsidiaries		**1,330,929**	1,327,537
Deferred tax assets		**6,594**	9,009
Other assets		**410,485**	483,320
Total assets		**1,765,268**	1,840,307
Liabilities			
Interest-bearing borrowings		**463,259**	527,255
Accruals and other payables		**5,652**	6,356
Lease liabilities		**860**	1,384
Total liabilities		**469,771**	534,995
NET ASSETS		**1,295,497**	1,305,312
CAPITAL AND RESERVES	*20*		
Share capital		**1,180,000**	1,180,000
Reserves		**115,497**	125,312
TOTAL EQUITY		**1,295,497**	1,305,312

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

We carried out our microfinance business in the PRC, and our business is mainly conducted in Deqing County, Huzhou City and Binjiang District, Hangzhou City, the Zhejiang Province, where the main market share comes from Deqing County. Zhejiang province is the important birthplace of President Xi Jinping's thought on ecological civilisation, and according to the Opinion on Supporting the High Quality Development and the Construction of a Common Prosperity Demonstration Zone in Zhejiang (《關於支持浙江高質量發展建設共同富裕示範區的意見》) issued by the State Council in May 2021, Zhejiang Province was endowed an important demonstration reform task of realizing common prosperity and a series of important decisions and deployment were proposed, which will be more favorable for the overall coordinated development of Zhejiang Province in terms of economy, society, culture, ecology, etc. Besides, Huzhou is the birthplace of the important thought that "lucid waters and lush mountains are invaluable assets" and the experimental area of the national green finance reform and innovation, and is one of the best cities in Zhejiang Province and even nationwide in respect of financial ecological environment, which brings the Company a unique advantage to explore green development. We seized the opportunity and became the first and the only green micro-finance company in Huzhou. Recently, the State Council granted approval to Huzhou City to construct a national sustainable development innovation zone under the theme of sustainable development in ecological resource-intensive areas driven by green innovation. In May 2022, the United Nations Global Geospatial Knowledge and Innovation Centre was inaugurated in Deqing. A number of new high-technology, bio-pharmaceutical and innovative enterprises have either selected Deqing as their headquarters or conducted business in Deqing. In 2024, Deqing was ranked on several lists of the top 100 counties or cities in the PRC in terms of comprehensive strength, green development, science and technology innovation, and quality of China's new urbanization, which has promoted the development of the local financial services industry.

As of 31 December 2024, the number of microfinance companies in Zhejiang reached 250 in total. The average registered capital per microfinance company amounted to RMB0.17 billion. The average loan balance per microfinance company amounted to RMB0.19 billion.

As of 31 December 2024, apart from the Group, there were three other microfinance companies in Deqing. The accumulated aggregate amount of loans granted by the Group and the three microfinance companies for the year ended 31 December 2024 reached approximately RMB3.63 billion (2023: RMB4.10 billion), out of which the accumulated aggregate amount of loans granted by the Group accounted for approximately 79% (2023: 75.2%). As of 31 December 2024, the balance of loans (excluding accrued interest) of the Group and these three microfinance companies reached approximately RMB3.03 billion (2023: RMB3.07 billion), out of which the balance of loans (excluding accrued interest) of the Group accounted for approximately 87% (2023: 88.0%).

Business Overview

As at 31 December 2024, we were the largest licensed microfinance company in Zhejiang in terms of registered capital, according to the Local Financial Regulatory Bureau of Zhejiang* (浙江省地方金融監督管理局). We have been providing financing solutions and loan services to customers with flexible terms through quick and comprehensive loan assessment and approval processes.

Our customer base primarily consists of customers engaged in AFR (三農), the SMEs, micro enterprises and online retailers engaging in the businesses of lifestyle products, agricultural products, cultural supplies and industrial products, etc. Besides, as a green micro-finance company in Huzhou, we actively explored green micro-finance model, granted green finance to green industries or segments including ecology, agriculture, forestry, animal husbandry and fishery, development of new energy, technological improvement of energy conservation and emission reduction as well as economic transition.

Our gross loan balance (excluding accrued interest) decreased from RMB2,700.9 million as at 31 December 2023 to RMB2,640.5 million as at 31 December 2024.

The following table sets out our registered capital, gross loans and advances to customers and leverage ratio as at the dates indicated:

	As at 31 December 2024	As at 31 December 2023
Registered capital (RMB'000)	**1,180,000**	1,180,000
Gross loans and advances to customers (excluding accrued interest, RMB'000)	**2,640,534**	2,700,894
Leverage ratio[1]	**2.24**	2.29

Note:

(1) Represents the gross loans and advances to customers (excluding accrued interest) divided by registered capital.

For the years ended 31 December 2023 and 2024, our average interest rates for loans were 8.7% and 7.4%, respectively. Our average loan interest rate decreased during the aforesaid period, mainly because we reduced the average interest rate on loans in line with the market, where interest rates on loans granted by banks and peers were decreased, in order to ensure asset quality.

The following table sets out the number of our loans and advances by size as at the dates indicated:

	As at 31 December 2024	As at 31 December 2023
Up to RMB500,000	**1,254**	1,308
Over RMB500,000 to RMB1 million (inclusive)	**46**	43
Over RMB1 million to RMB5 million (inclusive)	**222**	243
Over RMB5 million	**160**	170
Total number of loans and advances to customers	**1,682**	1,764

As at 31 December 2023 and 2024, the maximum loan amount of approximately 76.6% and 77.3% of loan contracts were limited to RMB1 million, respectively. Among our loan contracts, the higher proportion of loans with amount up to RMB1 million was mainly due to the fact that we mainly target to serve SMEs and micro enterprises, individuals in the agricultural, industrial and service sectors in Huzhou City and Hangzhou City and online retailers engaging in the business of lifestyle products, agricultural products, cultural supplies and industrial products, etc., the loan amounts granted to whom are generally lower.

LOANS AND ADVANCES TO CUSTOMERS BY TYPE OF SECURITY

The following table sets out our loans and advances to customers by type of security as at the dates indicated:

	As at 31 December 2024		As at 31 December 2023	
	RMB'000	*%*	*RMB'000*	*%*
Unsecured loans[1]	**27,870**	**1.1**	27,919	1.0
Guaranteed loans	**2,586,792**	**97.9**	2,644,055	97.9
Collateralized loans	**3,379**	**0.1**	8,392	0.3
Pledged loans	**22,493**	**0.9**	20,528	0.8
Sub-total	**2,640,534**	**100.0**	2,700,894	100.0
Accrued interest	**15,734**		19,952	
Gross loans and advances to customers	**2,656,268**		2,720,846	

Note:

(1) Our unsecured loans are generally of small amounts, with short terms, and granted to customers who have good credit history upon assessing the risks involved in the loans during our credit evaluation process.

The following table sets out the original maturity profile of our loans and advances to customers as at the dates indicated:

	As at 31 December 2024		As at 31 December 2023	
	RMB'000	***%***	*RMB'000*	*%*
Within three months	**1,000**	**0.1**	—	—
Three to six months	**24,270**	**0.9**	67,574	2.5
Six months to one year	**2,588,642**	**98.0**	2,608,501	96.6
More than one year	**26,622**	**1.0**	24,819	0.9
Sub-total	**2,640,534**	**100.0**	2,700,894	100.0
Accrued interest	**15,734**		19,952	
Gross loans and advances to customers	**2,656,268**		2,720,846	

The following table sets out our loans and advances to customers by loan amount as at the dates indicated:

	As at 31 December 2024		As at 31 December 2023	
	RMB'000	***%***	*RMB'000*	*%*
Up to RMB500,000	**43,772**	**1.7**	47,970	1.8
Over RMB500,000 to RMB1 million (inclusive)	**37,712**	**1.4**	37,018	1.4
Over RMB1 million to RMB5 million (inclusive)	**811,700**	**30.7**	832,506	30.8
Over RMB5 million	**1,747,350**	**66.2**	1,783,400	66.0
Sub-total	**2,640,534**	**100.0**	2,700,894	100.0
Accrued interest	**15,734**		19,952	
Gross loans and advances to customers	**2,656,268**		2,720,846	

The following table sets out our loans and advances to customers analysed by methods for assessing allowances for impairment losses as at the dates indicated:

	As at 31 December 2024			
	12-month ECLs	**Lifetime ECLs non credit-impaired**	**Lifetime ECLs credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Gross loans and advances to customers	**2,167,309**	**384,215**	**104,744**	**2,656,268**
Less: Allowances for impairment losses	**(62,817)**	**(37,021)**	**(94,376)**	**(194,214)**
Net loans and advances to customers	**2,104,492**	**347,194**	**10,368**	**2,462,054**

	As at 31 December 2023			
	12-month ECLs	Lifetime ECLs non credit-impaired	Lifetime ECLs credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross loans and advances to customers	2,468,646	127,715	124,485	2,720,846
Less: Allowances for impairment losses	(74,987)	(13,480)	(110,028)	(198,495)
Net loans and advances to customers	2,393,659	114,235	14,457	2,522,351

The following table sets out our key operating data as at the dates indicated:

	As at 31 December 2024	As at 31 December 2023
Impaired loan ratio[1]	**3.9%**	4.6%
Balance of impaired loans (RMB'000)	**104,744**	124,485
Gross loans and advances to customers (RMB'000)	**2,656,268**	2,720,846
Allowance coverage ratio[2]	**185%**	159%
Allowances for impairment losses[3](RMB'000)	**194,214**	198,495
Balance of impaired loans (RMB'000)	**104,744**	124,485
Provision for impairment losses ratio[4]	**7.3%**	7.3%
Balance of overdue loans (RMB'000)	**104,956**	124,812
Gross loans and advances to customers (RMB'000)	**2,656,268**	2,720,846
Overdue loan ratio[5]	**4.0%**	4.6%

Notes:

(1) Represents the balance of impaired loans divided by the gross loans and advances to customers. Impaired loan ratio indicates the quality of our loan portfolio.

(2) Represents the allowances for impairment losses on all loans divided by the balance of impaired loans. Allowance coverage ratio indicates the level of provisions we set aside to cover probable loss in our loan portfolio.

(3) Allowances for impairment losses reflect our management's estimate of the probable losses in our loan portfolio.

(4) Represents the allowances for impairment losses divided by the gross loans and advances to customers. Provision for impairment losses ratio measures the cumulative level of provisions.

(5) Represents the balance of overdue loans divided by the gross loans and advances to customers, among which the balance of loans overdue for 1 to 30 days was RMB1,934 thousand, the balance of loans overdue for 31 to 365 days was RMB28,909 thousand, and the balance of loans overdue for more than 365 days was RMB74,113 thousand.

Total impaired loans

As at 31 December 2023 and 31 December 2024, our balance of impaired loans amounted to RMB124.5 million and RMB104.7 million, respectively.

Total overdue loans

The following table sets out a breakdown of our overdue loans by type of security as at the dates indicated:

	As at 31 December 2024	As at 31 December 2023
	RMB'000	*RMB'000*
Unsecured loans	**15,135**	13,927
Guaranteed loans	**87,042**	103,493
Collateralized loans	**2,779**	7,392
Total overdue loans	**104,956**	124,812

We had overdue loans of RMB124.8 million and RMB105.0 million as at 31 December 2023 and 31 December 2024, respectively, accounting for 4.6% and 4.0% of our gross loan balance as at the respective dates. As at 18 March 2025, RMB0.9 million out of the overdue loans as of 31 December 2024 was recovered.

Financial Overview

Net interest income

We generate interest income from loans and advances we provide to customers and from our cash at banks. Our net interest income is net of interest and commission expenses. We incur interest and commission expenses on bank and other borrowings, which are principally used to meet working capital requirements, as well as bank charges.

The following table sets out the breakdown of our net interest income by source for the years indicated:

	2024	2023
	RMB'000	*RMB'000*
Interest income from		
Loans and advances to customers	**196,242**	236,053
Cash at banks	**112**	112
Total interest income	**196,354**	236,165
Interest and commission expenses from		
Borrowings from banks	**(1,010)**	(2,528)
Borrowings from non-bank institutions	**(39,251)**	(46,241)
Lease liabilities	**(150)**	(155)
Bank charges	**(101)**	(92)
Total interest and commission expenses	**(40,512)**	(49,016)
Net interest income	**155,842**	187,149

Our interest income from loans and advances to customers is primarily affected by the size of our loan portfolio and the average interest rates that we charge on loans to our customers. Our balance of loans decreased during the reporting period, generally in line with the size of our capital base, which is in turn affected by the size of our net assets and financing. For the years ended 31 December 2023 and 2024, our average interest rates for loans were 8.7% and 7.4%, respectively. Our average loan interest rate decreased during the aforesaid period, mainly because we reduced the average interest rate on loans in line with the market, where interest rates on loans granted by banks and peers were decreased, in order to ensure asset quality.

Our interest and commission expenses, comprising interests on borrowings from banks and non-bank institutions, lease liabilities as well as bank charges, were RMB49.0 million and RMB40.5 million for the years ended 31 December 2023 and 2024, respectively. Our incurred interest expenses were primarily attributable to the interest payment on bank borrowings and non-bank institutions borrowings, including borrowings from third parties and borrowings from Euro zone, which were principally applied to develop our loan business.

Our balance of bank borrowings (excluding accrued interest) as at 31 December 2023 and 2024 each amounted to RMB25.0 million. Our balance of borrowings from non-bank institutions (excluding accrued interest) amounted to RMB565.1 million and RMB458.4 million as at 31 December 2023 and 2024, respectively.

Our net interest income for the years ended 31 December 2023 and 2024 were RMB187.1 million and RMB155.8million, respectively.

Other net (loss)/income

Our other net (loss)/income for the years ended 31 December 2023 and 2024 were RMB12.7 million and RMB19.9 million, respectively. Our other net income increased RMB32.6 million during the aforesaid period, mainly due to the increase in government subsidies we received by RMB13.4 million in this year as compared to the previous year, and an increase in foreign exchange gains/(losses) of RMB19.2 million in this year compared to the previous year.

Impairment losses

Impairment losses include provisions in relation to loans and advances to our customers, interests receivables and goodwill, etc. We review our portfolios of loans and advances, interests receivables and goodwill, etc. regularly to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any deviation between estimated loss and the actual loss.

For the years ended 31 December 2023 and 2024, our impairment losses were a reversal of RMB9.5 million and a provision of RMB38.2 million, respectively.

Administrative expenses

Our administrative expenses mainly include: (i) tax and surcharge; (ii) staff costs, such as salaries, bonuses and allowances paid to employees, social insurance and other benefits; (iii) office expenditures and travel expenses; (iv) operating lease charges; (v) depreciation and amortization expenses; (vi) consulting and professional service fees; and (vii) other expenses, including business development expenses, advertising expenses and other miscellaneous expenses, such as stamp duty, conference fees and labor protection fees. The table below sets out the components of our administrative expenses by nature for the periods indicated:

	2024	2023
	RMB'000	*RMB'000*
Tax and surcharge	**1,544**	1,746
Staff costs	**16,415**	17,641
Office expenditures and travel expenses	**4,371**	5,786
Operating lease charges	**10**	7
Depreciation and amortization expenses	**4,763**	6,044
Consulting and professional service fees	**11,005**	13,216
Business development expenses	**6,071**	6,802
Advertising expenses	**632**	334
Others	**1,097**	1,305
Total administrative expenses	**45,908**	52,881

Our staff costs accounted for approximately 33.4% and 35.8% of the total administrative expenses for the years ended 31 December 2023 and 2024, respectively. Our staff costs decreased from RMB17.6 million for the year ended 31 December 2023 to RMB16.4 million for the year ended 31 December 2024, which was mainly due to our adjustment of personnel structure and saving of related costs.

Our consulting and professional services fees decreased from RMB13.2 million for the year ended 31 December 2023 to RMB11.0 million for the year ended 31 December 2024, mainly due to the decrease in consulting service and legal service and other fees paid to the intermediary agency in this year as compared to the previous year.

Income tax

Our income taxes for the years ended 31 December 2023 and 2024 were RMB34.5 million and RMB26.2 million, respectively, and our effective tax rates were 26.3% and 28.6%, respectively.

Profit and total comprehensive income for the year

We had profit and total comprehensive income for the year of RMB96.6 million and RMB65.4 million for the years ended 31 December 2023 and 2024, respectively.

Liquidity and capital resources

Our working capital and other capital requirements are mainly financed by equity investments from the shareholders of the Company (the "**Shareholders**"), interest-bearing borrowings, and cash flows from operations. Our working capital and capital requirements are primarily related to extending loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity level that can meet our working capital needs while supporting a healthy level of business scale development. Other than the bank borrowings obtained from commercial banks, we may also consider offshore financing or other investments plans or choices. Nevertheless, as at the date of this announcement, we did not have any firm intention or formulate specific plan on material external debt financing in the short term.

As at 31 December 2024, our balance of interest-bearing borrowings was approximately RMB488.3 million (31 December 2023: RMB593.5 million).

Working Capital Management

Cash flows

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

	2024	2023
	RMB'000	*RMB'000*
Cash and cash equivalents as at 1 January	**17,478**	16,595
Net cash generated from operating activities	**160,848**	284,948
Net cash generated from investing activities	**58**	96
Net cash used in financing activities	**(167,854)**	(284,041)
Net (decrease)/increase in cash and cash equivalents	**(6,948)**	1,003
Effect of the change of exchange rate	**(15)**	(120)
Cash and cash equivalents as at 31 December	**10,515**	17,478

Net cash generated from operating activities

Our cash generated from operating activities primarily consisted of interest income from loans granted to customers. Our cash used in operating activities primarily consisted of our loans and advances to customers and various taxes.

We account equity investments from the Shareholders and interest-bearing borrowings as cash generated from financing activities, while we utilize such cash for granting new loans to customers and classify it as cash used in operating activities. Due to the loan granting nature of our business and the accounting method that deployment of cash for granting loans is accounted for as operating cash outflows, we typically experience net cash outflows from operating activities when we expand our loan portfolio, which is generally in line with the industry norm.

Our net cash generated from operating activities for the year ended 31 December 2024 was RMB160.8 million. Our net cash generated from operating activities reflect: (i) our profit before tax of RMB91.6 million, adjusted for non-cash and non-operating items, primarily including a provision of impairment losses of RMB38.2 million, depreciation and amortization of RMB5.1 million, interest expenses of RMB40.4 million and foreign exchange gains of RMB6.3 million ; (ii) the effect of changes in working capital, primarily including the decrease in total loans and advances to customers of RMB28.1 million, the decrease in interest receivables and other assets of RMB1.3 million, and the decrease in accruals and other payables of RMB0.9 million; and (iii) income tax paid of RMB36.7 million.

Net cash generated from investing activities

For the year ended 31 December 2024, our net cash generated from investing activities was RMB58 thousand, which was primarily the gains from disposal of fixed assets of RMB58 thousand.

Net cash used in financing activities

For the year ended 31 December 2024, our net cash used in financing activities was RMB167.9 million. Our net cash used in financing activities mainly consisted of (i) payment of interest on borrowings amounted to RMB33.3 million; (ii) payment of lease charge amounted to RMB1.7 million; (iii) payment of dividend to equity shareholders of the Company of RMB23.6 million and payment of dividend to non-controlling shareholders of the Company of RMB3.4 million; (iv) repayment of interest-bearing borrowings amounted to RMB250.9 million, partially offset by the financing from interest-bearing borrowings received of RMB145.0 million.

Cash management

As our business primarily relies on our available cash, we normally set aside a sufficient amount of cash for meeting general working capital needs, such as administrative expenses and payment of interests on borrowings from banks and other non-bank institutions, and use the remaining parts for granting loans to our customers. As at 31 December 2023 and 2024, the balance of cash and cash equivalents amounted to RMB17.5 million and RMB10.5 million, respectively.

Cash and cash equivalents

Cash and cash equivalents are primarily our cash at banks. The following table sets out our cash and cash equivalents as at the dates indicated:

	31 December 2024	31 December 2023
	RMB'000	*RMB'000*
Cash in hand	**2**	2
Cash at banks	**10,372**	17,309
Other currencies in cash	**141**	167
Cash and cash equivalents	**10,515**	17,478

Loans and advances to customers

Our loans and advances to customers reflect the total balance of our loan portfolio. The following table sets out our loans and advances to customers by customer types as at the dates indicated:

	As at 31 December 2024	As at 31 December 2023
	RMB'000	*RMB'000*
Corporate loans	**1,219,180**	1,146,973
Retail loans	**1,395,888**	1,526,958
Micro-loans granted online	**25,466**	26,963
Sub-total	**2,640,534**	2,700,894
Accrued interest	**15,734**	19,952
Gross loans and advances to customers	**2,656,268**	2,720,846
Total allowances for impairment losses	**(194,214)**	(198,495)
Net loans and advances to customers	**2,462,054**	2,522,351

We focus on providing short-term loans to minimise our risk exposure and, as a result, a substantial majority of our loans and advances to customers have a term of less than one year.

The following table sets out the maturity profile of the original term of our gross loans and advances to customers as at the dates indicated:

	As at 31 December 2024	As at 31 December 2023
	RMB'000	*RMB'000*
Within three months	**1,000**	—
Three to six months	**24,270**	67,574
Six months to one year	**2,588,642**	2,608,501
More than one year	**26,622**	24,819
Sub-total	**2,640,534**	2,700,894
Accrued interest	**15,734**	19,952
Gross loans and advances to customers	**2,656,268**	2,720,846

As at 31 December 2023 and 2024, our overdue loan amounted to RMB124.8 million and RMB105.0 million, respectively, accounting for 4.6% and 4.0% of our gross loans and advances to customers as at the same dates.

The following table sets out profile of loans by type of security as at the dates indicated:

	As at 31 December 2024	As at 31 December 2023
	RMB'000	*RMB'000*
Unsecured loans(1)	**27,870**	27,919
Guaranteed loans	**2,586,792**	2,644,055
Collateralized loans	**3,379**	8,392
Pledged loans	**22,493**	20,528
Sub-total	**2,640,534**	2,700,894
Accrued interest	**15,734**	19,952
Gross loans and advances to customers	**2,656,268**	2,720,846

Note:

(1) Our unsecured loans are generally of small amounts, with short terms, and granted to customers who have good credit history upon assessing the risks involved in the loans during our credit evaluation process.

The majority of our loans were guaranteed loans, which accounted for 97.9% and 98.0% of our gross loans and advances to customers (excluding accrued interest) as at 31 December 2023 and 2024, respectively. The type of collateral for the collateralized loans provided by us to our customers is mainly real estate, which mainly represents properties. The type of collateral for the pledged loans provided by us to customers is mainly equity.

Other Assets

The following table sets out the breakdown of other assets by their nature as at the dates indicated:

	As at 31 December 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Prepayment	**654**	763
Others	**439**	1,696
Total other assets	**1,093**	2,459

Accruals and other payables

The following table sets out a breakdown of our accruals and other payables by nature as at the dates indicated:

	As at 31 December 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Staff costs payable	**4,144**	4,877
Value-added tax payable	**2,161**	2,374
Tax and surcharges and other taxation payable	**980**	1,346
Guarantee deposit payable	**5,117**	5,117
Auditors' remuneration payable	**2,198**	2,198
Other payables	**7,610**	7,378
Total accruals and other payables	**22,210**	23,290

As at 31 December 2024, as compared to 31 December 2023, our total accrued expenses and other payables decreased by RMB1.1 million, mainly due to the decrease in staff costs payable and related taxes and fees.

Current taxation

Our current taxation refers to our income tax payable, amounting to RMB34.9 million and RMB25.1 million as at 31 December 2023 and 2024, respectively.

Capital commitments

As of 31 December 2024, we have no capital commitment (31 December 2023: Nil).

Key Financial Indicator

The following tables set out certain key financial ratios as at the dates indicated:

	For the year ended 31 December 2024	For the year ended 31 December 2023
Return on weighted average equity (%)	**3.2**	4.8
Average return on assets (%)[1]	**2.5**	3.5

Note:

(1) Represents profit for the year divided by average balance of total assets as at the beginning of the year and end of the year.

Our return on weighted average equity and average return on assets both decreased mainly due to the decrease in our profit for the year ended 31 December 2024 as compared to the year ended 31 December 2023.

Gearing Ratio

	As at 31 December 2024	As at 31 December 2023
Gearing Ratio (%)[1]	**24.1**	29.6

Note:

(1) Represents the interest-bearing borrowings less cash and cash equivalents, divided by total equity attributable to equity shareholders as at the end of the year.

Our gearing ratio decreased, which was mainly due to the decrease in balance of interest-bearing borrowings as at 31 December 2024 as compared to 31 December 2023.

Related Party Transactions

For the year ended 31 December 2024, Mr. Yu Yin, an executive Director and the Chairman of the Board, and other related parties had guaranteed some of our interest-bearing borrowings. As at 31 December 2024, the amount of guarantee provided by Mr. Yu Yin and other related parties amounted to RMB57.5 million. Such related party transactions constituted continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As the guarantees were provided on normal commercial terms where no security over the assets of the Group was granted to Mr. Yu Yin and other related parties, the said provision of guarantees was fully exempt from Shareholders' approval, annual review and all disclosure requirements.

The independent non-executive Directors have reviewed all the above continuing connected transactions and confirmed that these transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and conducted in accordance with the relevant agreements governing them on terms which are fair and reasonable and in the interests of the Shareholders as a whole.

For the year ended 31 December 2024, the Company and Jinhui Micro-finance (a non-wholly owned subsidiary of the Company) leased properties from Zuoli Holdings Group Company Limited* (佐力控股集團有限公司) ("**Zuoli Holdings**") with a depreciation on right-of-use assets and interest expense of RMB1.2 million. The entering into of the lease agreements allow the Company and Jinhui Micro-finance to satisfy their operational needs. Utilities and entertainment fees amounted to RMB1.0 million were paid to Zuoli Holdings and its subsidiaries. Deqing Puhua Energy Company Limited* (德清普華能源股份有限公司) ("**Puhua Energy**") is a controlling shareholder and thus a connected person of the Company under the Listing Rules. Zuoli Holdings, being the holding company of Puhua Energy, is an associate of Puhua Energy and thus also a connected person of the Company under the Listing Rules. Such related party transaction constituted connected transaction under Chapter 14A of the Listing Rules. Please refer to the Company's announcement dated 6 July 2023 for details.

Save as disclosed above, during the year ended 31 December 2024, there was no other connected transaction of the Company that required for the reporting, annual reviews, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

INDEBTEDNESS

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

	As at 31 December 2024	As at 31 December 2023
	RMB'000	*RMB'000*
Interest-bearing borrowings	**488,287**	593,519

Our interest-bearing borrowings were the borrowings and interests required for our business operations.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2024, we did not have any off-balance sheet arrangements (31 December 2023: nil).

EMPLOYMENT AND EMOLUMENTS

As at 31 December 2024, the Company had 77 employees (31 December 2023: 86). Employees' remuneration has been paid in accordance with relevant policies in the PRC. Appropriate salaries and bonuses were paid, which are commensurate with the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance, etc.

SIGNIFICANT INVESTMENT

The Group had no significant investments held during the year ended 31 December 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2024.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2024, the Group had no share pledge (31 December 2023: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than the bank loans we obtain from commercial banks, we may also consider offshore financing or other investments plans or choices. Nevertheless, as at the date of this announcement, we did not have any firm intention or formulate any specific plan on material external debt financing in the short term.

FOREIGN CURRENCY RISK

Foreign exchange risk arises when business transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in the PRC. The exposure to foreign exchange risk mainly arises from bank deposit in EUR or HKD and offshore financing in EUR. The Group was not exposed to foreign exchange risk arising from any other currency risk. The management will continue to monitor the exposure to foreign exchange and adopt prudent measures to minimize exchange risk.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities (31 December 2023: nil).

PROSPECTS

With the establishment of China Micro-credit Companies Association (中國小額貸款公司協會) and the formulation of the Classification Standards of Financial Enterprises (《金融業企業劃型標準規定》), the role played by micro-finance companies in the PRC is being increasingly recognized by the relevant authorities. General Secretary Xi Jinping delivered an important speech at the symposium on private enterprises, proposing to solve the financing problem of private enterprises and broaden the financing channels for private enterprises, among which micro-finance companies and other financing channels should be brought into play.

In terms of our major market of offline business, Zhejiang province is the important birthplace of President Xi Jinping's thought on ecological civilization, and according to the Opinion issued by the State Council in May 2021, Zhejiang Province was endowed an important demonstration reform task of realizing common prosperity and a series of important decisions and deployment were proposed, which will be more favorable for the overall coordinated development of Zhejiang Province in terms of economy, society, culture, ecology, etc.

Meanwhile, Huzhou is the birthplace of the important thought that "lucid waters and lush mountains are invaluable assets" and the experimental area of the national green finance reform and innovation as well as the national sustainable development innovation zone, and is one of the best cities in Zhejiang Province and even the country in respect of financial ecological environment. Huzhou City was selected as one of the second batch of national reclaimed water recycling pilot cities, and the ESG evaluation standardization pilot project of Huzhou small and micro enterprises was successfully selected as the national social management and public service comprehensive standardization pilot project, both of which are unique in the province, all of which have provided a solid foundation for the green development of the Company.

Under the opportunity of constructing a common prosperity demonstration zone in Zhejiang province and led by the concept of "lucid waters and lush mountains are invaluable assets", we seize the opportunity of reform and innovation to actively explore a sustainable development road of green credit and continue to introduce innovative loan products, broaden business channels, enhance our market penetration and increase our competitive advantages by utilizing the advantage of our capital base. Since being listed as the first pilot unit of green micro-finance company in Huzhou in April 2020, as the main drafter, we participated in the formulation of "Green Micro-finance Company Construction and Evaluation Standard" (Zhejiang Province Huzhou Local Standard) (《綠色小額貸款公司建設與評價規範》 (浙江省湖州市地方標準)), which has been officially issued and implemented in June 2020. The pilot construction of green micro-finance and implementation of its standards will help the Group to (i) further discover the potential customers of green micro-finance; (ii) better serve the growth of AFR (三農), as well as small and micro enterprises which are low-carbon and environmental friendly; and (iii) further increase the market share.

In addition, to better discover and explore green finance market and achieve the goal of sustainable operation and development of inclusive and green finance, we cooperated with institutions including DEG, a wholly-owned subsidiary of KfW Bankengruppe and GCPF (Global Climate Partnership Fund), which inspired the Company with international-leading green finance ideas and provided technological support, assisting the Company in developing more green finance products, and thus enabling us to better serve our green finance customers.

In May 2023, we have passed the acceptance test for green micro-finance pilot unit and became the first green microfinance company in Huzhou City.

USE OF PROCEEDS

The H Shares of the Company became listed on the Main Board of the Stock Exchange on 13 January 2015 with net proceeds from the global offering of approximately HK$338.4 million (after deducting underwriting commissions and related expenses). The net proceeds have been fully utilized for expanding the capital base of our loan business, in accordance with the manner as set out in the prospectus of the Company dated 30 December 2014.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and protecting the interests of the Shareholders in an open manner.

As of the date of this announcement, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules. Throughout the year ended 31 December 2024, the Company has fully complied with the CG Code (to the extent that such provisions are applicable).

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct for carrying out securities transactions of the Company by the Directors and supervisors. After specific enquiry with all members of the Board and supervisors of the Company, they have confirmed full compliance with the relevant standards stipulated in the Model Code throughout the year ended 31 December 2024.

Pursuant to Rule B.13 of the Model Code, the Directors has also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or in a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in the securities of the Company when he would be prohibited from dealing by the Model Code as if he was a Director.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY, OR ANY OF ITS SUBSIDIARIES, OF THE COMPANY'S LISTED SECURITIES

The Company has not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2024.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.0127 per share for the year ended 31 December 2024 (the "**Proposed Final Dividend**"). The payment date of the Proposed Final Dividend will be subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 13 June 2025 (the "**AGM**") (2023: RMB0.02 per share).

INTEREST OF DIRECTORS AND SUPERVISORS IN A COMPETING BUSINESS

None of the Directors, the supervisors of the Company or the management Shareholders and their respective close associates (as defined under the Listing Rules) has an interest in a business which competes or may compete with the business of the Company.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Group that have occurred from the end of the reporting period to the date of this announcement.

ANNUAL GENERAL MEETING

The AGM will be held at Conference Room, 3th Floor, Zuoli Building, No. 399 Deqing Avenue, Wukang Road, Deqing County, Huzhou City, Zhejiang Province, the PRC on Friday, 13 June 2025. Notice of the AGM will be issued and disseminated to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the Shareholder's entitlement to attend and vote at the AGM, the H Share register of members of the Company will be closed from Wednesday, 14 May 2025 to Friday, 13 June 2025, both days inclusive, during which period no share transfers will be registered. The holders of shares whose names appear on the register of members of the Company on Friday, 13 June 2025 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 13 May 2025.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, risk management and internal control systems and financial report matters including the review of the Group's annual results for the year ended 31 December 2024. The annual financial statements of the Group have been audited by the independent auditor of the Company, KPMG.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zlkcxd.cn). The annual report for the year ended 31 December 2024 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the Shareholders, customers, business associates and other professional parties for their continuous support to the Group throughout the year.

By order of the Board
佐力科創小額貸款股份有限公司
(Zuoli Kechuang Micro-finance Company Limited*)
YU Yin
Chairman

Hong Kong, 18 March 2025

As at the date of this announcement, the executive Directors are Mr. Yu Yin, Mr. Zheng Xuegen, Mr. Yang Sheng and Ms. Hu Fangfang; the non-executive Director is Mr. Pan Zhongmin; and the independent non-executive Directors are Mr. Chan Kin Man, Mr. Zhao Xuqiang and Ms. Yang Jie.

* *For identification purpose only*