汇鑫小额贷款
HUIXIN MICRO-CREDIT

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

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

Stock Code: 1577

2020
Annual Report

* for identification purpose only

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Wu Zhirui *(Chairman)*
Mr. Zhou Yongwei
Mr. Yan Zhijiang
Ms. Liu Aiqin

Non-executive Directors

Mr. Jiang Haiying
Mr. Cai Rongjun

Independent Non-executive Directors

Mr. Zhang Lihe
Mr. Lin Jianguo
Mr. Sun Leland Li Hsun

SUPERVISORS

Ms. Hong Lijun *(Chairwoman)*
Mr. Li Jiancheng
Ms. Ruan Cen
Mr. Chen Jinzhu
Mr. Wu Lindi

AUDIT COMMITTEE

Mr. Zhang Lihe *(Chairman)*
Mr. Lin Jianguo
Mr. Cai Rongjun

REMUNERATION COMMITTEE

Mr. Lin Jianguo *(Chairman)*
Mr. Sun Leland Li Hsun
Mr. Wu Zhirui

NOMINATION COMMITTEE

Mr. Zhou Yongwei *(Chairman)*
Mr. Sun Leland Li Hsun
Mr. Zhang Lihe

JOINT COMPANY SECRETARIES

Mr. Yan Zhijiang
Ms. Ng Ka Man *(ACG, ACS)*

AUTHORISED REPRESENTATIVES

Mr. Wu Zhirui
Mr. Yan Zhijiang

REGISTERED ADDRESS

12/F, Former Finance Building
No. 361 Feng Ze Street
Quanzhou City
Fujian Province
PRC

HEADQUARTERS/PRINCIPAL PLACE OF BUSINESS IN THE PRC

12/F, Former Finance Building
No. 361 Feng Ze Street
Quanzhou City
Fujian Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.qzhuixin.net

STOCK CODE

1577

AUDITOR AND REPORTING ACCOUNTANT

Ernst & Young
Certified Public Accountants

LEGAL ADVISER

Akin Gump Strauss Hauer & Feld
(as to Hong Kong laws)

H SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Agricultural Bank of China
Jinjiang Jinjing Sub-Branch
No. 200 Zhong Xing Road, Jin Jing Town
Jinjiang City
Quanzhou City
Fujian Province
PRC

China Minsheng Bank
Quanzhou Branch
No. 689 Citong Street
Fengze District
Quanzhou City
Fujian Province
PRC

Xiamen Bank
Yilong Sub-Branch
No. 857 Xiahe Street
Huli District
Xiamen City
Fujian Province
PRC

Xiamen Bank
Quanzhou Branch
No. 474 Huixin Street
Licheng District
Quanzhou City
Fujian Province
PRC

Chairman's Statement

On behalf of the Board, I would like to express my gratitude to all Shareholders for their support to the Company.

Over the past year, the sudden outbreak of COVID-19 has ravaged the world, posing a serious threat to global public health. The world has been suffering its worst economic recession since the end of the Second World War, with major economic sectors hitting hard simultaneously for the first time. The operation of global industrial and supply chains was hampered, while trade and investment activities remained sluggish. To cope with the economic recession, the central bank has increased its efforts to provide inclusive credit to SMEs and microenterprises. The total amount of inclusive credit granted to SMEs and microenterprises has increased by approximately 30%, with the interest rate lower of 0.51% than that in 2019 and relaxed requirements for risk tolerance of customers. In addition, due to the government's efforts to control the mess of private lending and the different understandings by local courts of the latest judicial interpretation of the Supreme People's Court on the trial of private lending cases, the lending business of licensed institutions will be affected to a certain extent in the short term.

In view of the said circumstances, we adjusted our business strategies. We scaled down the unsecured credit business and focused on asset quality. Focusing on the expansion of property mortgage business, we maintained a prudent attitude for development through strict examination of credit access for new customers and of new application for loans. Meanwhile, we will continue to monitor changes in market conditions, industry policies and regulations for timely adjustments to our business structure. We will also actively exchange experience with peer organisations and expand models for business cooperation.

In order to better accommodate to the opportunities and challenges brought by changes in the market environment and laws and regulations, we actively organised internal training, business discussions and team building to guide key business personnel to conduct research on key industries and equity investment projects. In addition, we established an efficient and capable business team through appropriate streamlining based on the Company's operating conditions.

In order to adapt to the normalization of epidemic prevention and control, we have established an online information system. Our business approval currently has been implemented online, and the online information system will be continued to optimise in the later period so as to continually enrich its functions.

For the year ended 31 December 2020, our net interest income was RMB143.5 million; net profit was RMB53.9 million; and balance of our loans amounted to RMB869.9 million.

In a new year, as the global economic situation remains grim, we will continue to strive for seeking opportunities amidst challenges in order to reward Shareholders and the public as well as realise corporate value and social value.

Quanzhou Huixin Micro-credit Co., Ltd.
WU Zhirui
Chairman

26 March 2021

Management Discussion and Analysis

INDUSTRY OVERVIEW

Since the China Banking Regulatory Commission (中國銀行業監督管理委員會), which is transformed into the CBIRC, and the People's Bank of China (中國人民銀行) (the "**PBOC**") promulgated the *Guiding Opinions on the Pilot Operation of Microfinance Companies* (關於小額貸款公司試點的指導意見) in 2008, which first formalized the registration procedures for microfinance companies at the national level, China's microfinance industry has seen rapid expansion. In 2012, the State Council approved the establishment of a pilot financial reform zone in Quanzhou City, making Quanzhou City the third pilot financial reform zone in China. Fujian provincial government subsequently implemented a series of financial reform policies and measures aiming at developing and cultivating the local financial services sector and channeling private capital to SMEs and local microenterprises. In 2014, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) designated Quanzhou City as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises. In December 2015, the State Council promulgated the *Plan for Promoting the Development of Inclusive Finance (2016–2020) (Guo Fa [2015] No. 74)* (推進普惠金融發展規劃 (2016–2020年) (國發[2015]74號), which aims to improve the quality and the coverage of inclusive finance service. In 2017, the government of Quanzhou City promulgated the *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which encourages microfinance companies to develop innovative businesses. In 2018, the Quanzhou Financial Affairs Bureau (泉州市金融工作局) and certain other government departments promulgated *Opinions on the Implementation of Strengthening Financial Services of Real Economy to further Facilitate and Reduce the Cost of the Financing* (關於加強實體經濟金融服務進一步緩解融資難融資貴的實施意見), which allow microfinance companies in Quanzhou to comprehensively carry out microfinance business mainly for SMEs and 'agriculture, rural and farmers' (三農) in Quanzhou City.

China's finance leasing industry has developed rapidly since 2012. With China's industrial reform and equipment upgrades, the steady growth of China's fixed asset investment has created greater potential for the development of the finance leasing industry. In 2016, Fujian provincial government promulgated the *Opinions on Promoting the Development of the Finance Leasing Industry* (關於促進融資租賃業發展的意見), which has implemented effective measures in taxation and development environment to support the finance leasing industry in Fujian province.

BUSINESS OVERVIEW

Our Group is principally engaged in loan business and finance lease business. We conduct our loan business primarily through the Company and JJHX. Based in Quanzhou City, we are the largest licensed microfinance company in Fujian Province in terms of revenue in 2020, according to the statistics of the Fujian Financial Supervision Bureau (福建省地方金融監督管理局). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs. Since October 2018, we commenced our finance leasing business principally engaged in the provision of automobile finance leasing services for SMEs and individuals in the PRC. The COVID-19 epidemic in 2020 has caused a significant impact on the global economy. Part of our operations were affected by the epidemic. In order to better cope with the changing economic and social environment, we decreased our loan size and carefully developed our finance lease business in response to the increasing credit risk.

During the Reporting Period, we generated substantially all of our income by charging interest on the loans extended to our customers. For the year ended 31 December 2020, the total loans granted to our customers amounted to RMB1,112.8 million. Our interest income from loans receivable was RMB143.5 million for the year ended 31 December 2020. Our interest income from finance lease receivables was RMB2.7 million for the year ended 31 December 2020.

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

	As of 31 December	
	2020	2019
Share capital (RMB in millions)	680.0	680.0
Net capital (RMB in millions)(1)	1,230.0	1,228.9
Principal amount of outstanding loans (RMB in millions)	869.9	1,108.7
Lease receivables (RMB in millions)	11.2	39.2
Loan and finance lease/Net capital ratio(2)	0.72 Times	0.93 Times

Notes:

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

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

Our Loan Business

Loan Portfolio

The principal amount of our outstanding loans decreased from RMB1,108.7 million as of 31 December 2019 to RMB869.9 million as of 31 December 2020, primarily due to the adjustment of our strategy by decreasing our loan size to against the increasing credit risk of the market.

The following table sets forth the balance of our loans by industry as of the dates indicated:

	As of 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Manufacturing	238,353	27.4	358,926	32.4
Wholesale and retail	271,327	31.2	349,104	31.5
Financial	66,110	7.6	46,380	4.2
Construction	106,610	12.3	189,728	17.1
Public facilities and commercial service	158,398	18.2	131,444	11.9
Agriculture	—	—	1,500	0.1
Transportation, warehousing and post	2,100	0.2	2,050	0.2
Others	27,040	3.1	29,543	2.7
Total	869,938	100.0	1,108,675	100.0

Revolving Loans and Term Loans

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

	As of 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Revolving loans	628,525	72.2	785,082	70.8
Term loans	241,413	27.8	323,593	29.2
Total	869,938	100.0	1,108,675	100.0

Loan Portfolio by Security

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

	As of 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Credit loans	5,000	0.6	6,000	0.5
Guaranteed loans	301,169	34.6	425,777	38.4
Collateral-backed loans				
— with guarantee	543,768	62.5	452,356	40.8
— without guarantee	20,001	2.3	224,542	20.3
Total	869,938	100.0	1,108,675	100.0

Our guaranteed loans decreased from RMB425.8 million as of 31 December 2019 to RMB301.2 million as of 31 December 2020 mainly because we enhanced the approval standard for guaranteed loans.

The following table sets forth the interest rates of our loans by security as of the dates indicated:

	As of 31 December			
	2020		2019	
	% (lowest)	% (highest)	% (lowest)	% (highest)
Credit loans	15.6	18.0	12.0	19.9
Guaranteed loans	15.0	21.6	8.4	24.0
Collateral-backed loans				
— with guarantee	8.0	24.0	12.0	24.0
— without guarantee	8.0	24.0	13.6	24.0

Collateral-backed Loans

The collateral obtained by our Group under our collateral-backed loans mainly consists of building ownership rights, building and land use rights, equipment ownership rights and shares. The following table sets forth the types of collaterals under our collateral-backed loans as of the dates indicated:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Building ownership rights	349,788	460,807
Building and land use rights	45,380	65,800
Shares	165,000	144,000
Equipment and share pledge	—	6,291

Maturity Profile of Loan Portfolio

As of 31 December 2020, our maturity profiles within one year and over one year accounted for 81.4% and 10.5% of the total principal amount of outstanding loans, respectively. The following table sets forth the maturity profile of our loans based on the contractual maturity date of the principal amount as of the dates indicated:

	As of 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Past due	70,741	8.1[(1)]	80,156	7.2[(1)]
Due within three months	177,534	20.4	207,318	18.8
Due between three months and one year	530,355	61.0	597,946	53.9
Due over one year	91,308	10.5	223,255	20.1
Total	869,938	100.0	1,108,675	100.0

Note:

(1) The percentage equals to the default ratio as of the respective dates during the Reporting Period, representing the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans.

Past Due Loans

The principal amount of our past due loans was RMB80.2 million and RMB70.7 million as of 31 December 2019 and 2020, respectively, accounting for 7.2% and 8.1% of the total principal amount of our outstanding loans as of the same dates.

We had 23 past due loans with an aggregate amount of RMB80.2 million as of 31 December 2019. As of 31 December 2020, RMB7.4 million of the principal amount of these past due loans as of 31 December 2019 had been settled and RMB51.8 million of the principal amount of these past due loans as of 31 December 2019 had been written off. As of 31 December 2020, the remaining portion of principal amount of past due loans as of 31 December 2019 was RMB20.9 million and the allowance for impairment losses for these loans was RMB15.0 million.

As of 31 December 2020, we had 20 past due loans with an aggregate principal amount of RMB70.7 million, and our allowance for impairment losses for these past due loans as of the same date was RMB22.4 million.

The principal amount of our past due loans decreased from RMB80.2 million as of 31 December 2019 to RMB70.7 million as of 31 December 2020, mainly due to (i) the addition of 11 past due loans with an aggregate amount of RMB49.8 million, which is partly offset by the collection of 5 past due loans with an aggregate amount of RMB7.4 million, and (ii) the write-off of 9 past due loans in 2019 with an aggregate amount of RMB51.8 million, of which RMB1.0 million was later recovered and collected after being written off.

Loan Portfolio by Exposure Size

The following table sets forth the distribution of the principal amount of our outstanding loans and number of borrowers by exposure size as of the dates indicated:

	As of 31 December					
	2020			2019		
	Number of borrower(1)	RMB'000	%(2)	Number of borrower(1)	RMB'000	%(2)
Principal amount of outstanding loans:						
Up to RMB1.0 million	2,942	67,444	7.8	3,088	134,420	12.1
Over RMB1.0 million to RMB3.0 million (inclusive)	84	146,127	16.8	108	203,801	18.4
Over RMB3.0 million to RMB5.0 million (inclusive)	98	443,754	51.0	101	476,474	43.0
Over RMB5.0 million to RMB10.0 million (inclusive)	15	123,755	14.2	21	160,980	14.5
Over RMB10.0 million	6	88,858	10.2	9	133,000	12.0
Total	3,145	869,938	100.0	3,327	1,108,675	100.0

Notes:

(1) Loans granted to a single borrower under multiple loan agreements are aggregated for the purpose of the calculation of loan exposure size to such customer.

(2) Represents the principal amount of outstanding loans of each category divided by the total principal amount of our outstanding loans.

We adopted a loan classification approach to manage our loan portfolio risk. We categorize our loans by reference to the "Five-Tier Principle" set forth in the *Guideline for Loan Credit Risk Classification* (貸款風險分類指引) issued by the CBIRC. We make provisions for the anticipated level for loan loss after categorizing the loan according to the "Five-Tier Principle". According to the "Five-Tier Principle", our loans are categorized as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. We consider our "substandard", "doubtful" and "loss" loans as non-performing loans. The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Normal	523,786	60.3	730,870	65.9
Special-mention	259,218	29.8	304,499	27.5
Substandard	69,865	8.0	13,333	1.2
Doubtful	2,769	0.3	46,723	4.2
Loss	14,300	1.6	13,250	1.2
Total	869,938	100.0	1,108,675	100.0

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

Our "substandard" loans increased from RMB13.3 million as of 31 December 2019 to RMB69.9 million as of 31 December 2020 mainly because part of the loans of the Company categorized as "special-mention" in 2019 with aggregate amount of RMB50.0 million were downgraded to "substandard" due to the borrowers' ability to repay the loans being in doubt. Our "doubtful" loans decreased from RMB46.7 million as of 31 December 2019 to RMB2.8 million as of 31 December 2020 mainly because RMB33.0 million of principal amount of the past due loans were written off as a result of the increasing credit risk. Meanwhile, part of the loans categorized as "doubtful" in 2019 with aggregate amount of RMB12.0 million were downgraded to "Loss" in 2020.

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

	As of/For the year ended 31 December	
	2020 (RMB'000, except for percentage)	2019 (RMB'000, except for percentage)
Non-performing loan ratio[(1)]	9.9%	6.5%
Balance of non-performing loans receivable	86,933	73,306
Balance of gross loans receivable	876,020	1,129,136
Allowance coverage ratio[(2)]	60.3%	89.0%
Allowance for non-performing loans losses[(3)]	52,434	65,262
Balance of non-performing loans receivable	86,933	73,306
Provision for impairment losses ratio[(4)]	6.0%	5.8%
Loss ratio[(5)]	48.2%	23.0%
Net charge of impairment allowance on loans receivable	69,131	38,042
Interest income	143,540	165,400

Notes:

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

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

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

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

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

Our non-performing loans receivable increased from RMB73.3 million as of 31 December 2019 to RMB86.9 million as of 31 December 2020. Our non-performing loan ratio increased from 6.5% as of 31 December 2019 to 9.9% as of 31 December 2020. Such increases were primarily due to 24 loans of the Company being recognized as non-performing loans during the Reporting Period.

Our Finance Leasing Business

Finance Lease Receivables by Security

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

	As of 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Collateral-backed leases:				
— with guarantee	7,033	62.7	21,899	55.8
— without guarantee	4,177	37.3	17,330	44.2
Total	11,210	100.0	39,229	100.0

Gross and Net Amounts of Lease Receivables

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

	As of 31 December	
	2020 (RMB'000)	2019 (RMB'000)
Lease receivables	11,210	39,229
— Due within one year	10,389	26,466
— Due in one year to two years	821	11,914
— Due in two years to three years	—	849
Net lease receivables	10,475	35,482
— Due within one year	9,697	23,469
— Due in one year to two years	778	11,194
— Due in two years to three years	—	819

We categorize our lease receivables according to our "Five-Tier Principle". As of 31 December 2020, the past due portion of our lease receivables was categorized as "substandard", and the remaining lease receivables were categorized as "normal".

Our lease receivables and net lease receivables decreased respectively from RMB39.2 million and RMB35.5 million as of 31 December 2019 to RMB11.2 million and RMB10.5 million as of 31 December 2020, mainly because the repayments of the previously financial leases have been gradually received.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the year ended 31 December 2020:

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.	Our Group complied with such requirement for the year ended 31 December 2020.
The debt to net capital ratio of a microfinance company in Quanzhou City is capped at 100%.	Our Group complied with such requirement for the year ended 31 December 2020.
The *Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases (Amended in December 2020)* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020年12月修訂)) (the "**2020 Judicial Interpretation**") promulgated by the Supreme People's Court (最高人民法院) on 29 December 2020 which became effective on 1 January 2021 provides that: (i) the interest on a loan accruing from the effective date of the loan agreement to 19 August 2020 calculated pursuant to the then judicial interpretation; and (ii) the interest on a loan accruing from 20 August 2020 to the repayment date of the loan calculated pursuant to the 2020 Judicial Interpretation, shall be supported by the court if the loan agreement took effect before 20 August 2020 and the lending case in relation to such loan agreement accepted by the court after 20 August 2020.	Our Group complied with such applicable requirement for the year ended 31 December 2020.
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	Our Group complied with such requirement for the year ended 31 December 2020.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 5% of the net capital of such microfinance company.	Our Group complied with such requirement for the year ended 31 December 2020.
Upon the listing of the H shares of the Company on the main board of the Stock Exchange on 30 September 2016, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the "**Amended 70% Requirement**").	Our Group complied with the Amended 70% Requirement for the year ended 31 December 2020.
Risk assets of a finance leasing company shall not exceed eight times of its total net assets.	Our Group complied with such requirement for the year ended 31 December 2020.

FINANCIAL OVERVIEW

Interest Income, Net

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

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest income on:		
Loans receivable	143,540	165,400
Finance lease receivables	2,710	5,414
Interest expense on:		
Bank loans	(2,679)	(8,892)
Lease Liabilities	(26)	(161)
Interest income, net	143,545	161,761

Interest Income

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

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

	Year ended 31 December	
	2020	2019
Average balance:		
— outstanding performing loans(1) (RMB'000)	830,943	1,097,755
— interest-generating finance lease receivables (RMB'000)	23,620	49,332
Average effective interests rate per annum:		
— performing loans(2)	14.26%	15.07%
— interest-generating finance lease receivables(3)	11.48%	10.97%

Notes:

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

(2) Calculated by dividing the interest income for the year by the average balance of outstanding performing loans for the years indicated.

(3) Calculated by dividing the annualised interest income derived from our interest-generating finance lease receivables for the period by the average balance of our finance lease receivables not impaired for the relevant period.

Our loan business and finance leasing business are primarily funded by our share capital as well as our bank borrowings. Our interest income decreased by 14.4% from RMB170.8 million for the year ended 31 December 2019 to RMB146.2 million for the year ended 31 December 2020. The average balance of our outstanding performing loans decreased by 24.3% from RMB1,097.8 million in 2019 to RMB830.9 million in 2020 primarily because we adjusted our strategy by decreasing our loan size to guard against the increasing credit risk of the market. The average balance of our finance lease receivables decreased by 52.1% from RMB49.3 million for the year ended 31 December 2019 to RMB23.6 million for the year ended 31 December 2020 mainly because we carefully developed our finance lease business in response to the increasing credit risk. For the years ended 31 December 2019 and 2020, our average effective interest rate per annum on our performing loans decreased from 15.1% to 14.3%. Such decrease was primarily due to (i) the increase of the proportion of collateral-backed loans with lower interest rates; and (ii) the charging of lower interest rates to our high-quality customers.

Interest Expense

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

	Year ended 31 December	
	2020	2019
Average balance of bank borrowings[1] (RMB'000)	54,389	150,194
Effective interests rate per annum[2]	4.98%	5.92%

Notes:

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

(2) Calculated by dividing the interest expense for the year by the average balance of bank borrowings for the year.

Our average balance of bank borrowings decreased from RMB150.2 million as of 31 December 2019 to RMB54.4 million as of 31 December 2020, which was generally in line with our business development.

Net Charge of Impairment Allowance on Loans and Accounts Receivable

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

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

Our net charge of impairment allowance on loans and accounts receivable for the years ended 31 December 2019 and 2020 were RMB37.8 million and RMB69.1 million, respectively. Such increase was primarily because we charged impairment allowance on the loans which were granted to the customer whose repayment ability reduced due to the increase in the market credit risk and were categories as impaired loans receivable accordingly.

Operating and Administrative Expenses

Our operating and administrative expenses mainly include taxes and surcharges, staff costs, depreciation and amortization expenses, auditor's remuneration and others. The table below sets forth the components of our operating and administrative expenses by nature for the years indicated:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Tax and surcharges	986	1,783
Staff costs:		
Salaries, bonuses and allowances	11,999	13,650
Other social welfare	1,517	2,342
Depreciation and amortization	4,740	4,366
Auditor's remuneration	1,368	1,367
Others	5,993	9,690
Total operating and administrative expenses	26,603	33,198

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fee, accounting for 5.4% and 3.7% of our operating and administrative expenses for the years ended 31 December 2019 and 2020, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 48.2% and 50.8% of our operating and administrative expenses for the years ended 31 December 2019 and 2020, respectively.

Our operating and administrative expenses decreased from RMB33.2 million for the year ended 31 December 2019 to RMB26.6 million for the year ended 31 December 2020 mainly because of the decrease in staff costs and other expenses during the COVID-19 epidemic.

Net Gains on Financial Assets

Our net gains on financial assets consist of gains on financial assets at fair value through profit or loss, gains on disposal of financial assets and dividend and other income. Our net gains on financial assets increased from RMB4.1 million for the year ended 31 December 2019 to RMB20.4 million for the year ended 31 December 2020 mainly due to (i) the increase in the gains on the financial assets at fair value through profit or loss of RMB9.7 million; (ii) the increase in the dividend income of RMB3.7 million; and (iii) the increase in gains on the disposal of financial assets of RMB2.9 million.

Other Income and Gains, Net

Our net other income and gains consist of government grants, interest from bank deposits, gains/losses on disposal of items of property and equipment and other gains and losses. Our net other income and gains slightly increased from RMB2.5 million for the year ended 31 December 2019 to RMB2.9 million for the year ended 31 December 2020 mainly due to the increase in governments grants.

The following table sets forth the details of our net other income and gains for the years indicated:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants	1,670	1,260
Interest from bank deposits	178	152
(Losses)/gains on disposal of items of property and equipment	(136)	22
Others	1,163	1,026
Total	2,875	2,460

Income Tax Expense

During the years ended 31 December 2019 and 2020, we were subject to the general tax rate of 25% pursuant to the *Enterprise Income Tax Law* (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and 29 December 2018. Our income tax expense for the years ended 31 December 2019 and 2020 was RMB23.6 million and RMB16.9 million, respectively, and our effective tax rate for the same years was 24.1% and 23.9%.

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

Net Profit and Total Comprehensive Income for the Year

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB74.5 million and RMB53.9 million for the years ended 31 December 2019 and 2020, respectively.

Liquidity and Capital Resources

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

Our gearing ratio which presented the percentage of our net debt divided by the aggregate of our capital and net debt, decreased from 3.2% as of 31 December 2019 to 1.7% as of 31 December 2020, mainly because of the decrease in bank borrowings.

Cash Flows

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net cash flows from operating activities	68,744	140,665
Net cash flows (used in)/from investing activities	(7,873)	19,275
Net cash flows used in financing activities	(76,954)	(175,652)
Net decrease in cash and cash equivalents	(16,083)	(15,712)
Cash and cash equivalents at the beginning of year	36,119	51,718
Effect of foreign exchange rate changes, net	(350)	113
Cash and cash equivalents at the end of year	19,686	36,119

Net cash flows from operating activities

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

Our cash generated from operating activities primarily consists of loans repaid by our customers and interest income from loans we grant to customers. Our cash used in operating activities primarily consists of loans that we extend to our customers. Net cash flows from operating activities reflect: (i) our profit before tax adjusted for non-cash and non-operating items, such as charge on impairment, COVID-19-related rent concessions from lessors, interest expense, accreted interest on impaired loans, foreign exchange loss, loss on disposal of property and equipment, as well as depreciation and amortization; (ii) the effects of changes in working capital; and (iii) income tax paid.

Net cash flows from operating activities for the year ended 31 December 2020 was RMB68.7 million. Net cash flows generated from operating activities before working capital adjustment was RMB125.4 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in financial assets at fair value through profit or loss of RMB244.6 million; and (ii) an increase in other assets of RMB41.4 million mainly attributable to the increase in prepayment. Cash inflows primarily consisted of: (i) the decrease in securities purchased under agreements to re-sell of RMB26.1 million attributable to the maturity of such securities; and (ii) the decrease in loans and accounts receivable of RMB218.3 million as a result of the decrease in loan size.

Net cash flows used in investing activities

For the year ended 31 December 2020, our net cash flows used in investing activities was RMB7.9 million, which was mainly due to the purchase of properties.

Net cash flows used in financing activities

For the year ended 31 December 2020, our net cash flows used in financing activities was RMB77.0 million, which mainly consisted of: (i) the dividend paid to our Shareholders of RMB34.0 million; (ii) the dividend paid to non-controlling shareholders of JJHX of RMB19.0 million; (iii) the net repayment of bank borrowings of RMB20.0 million; (iv) the payment of interest of RMB2.7 million; and (v) the principal portion lease payments of RMB1.5 million.

Cash management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2019 and 2020, the total cash and cash equivalents amounted to RMB36.1 million and RMB19.7 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected Items of the Statements of Financial Position

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Assets		
Cash and cash equivalents	31,877	36,119
Securities purchased under agreements to re-sell	3,800	29,900
Financial assets at fair value through profit or loss	362,840	118,279
Loans and accounts receivable	833,536	1,098,824
Property and equipment	8,522	921
Right-of-use assets[1]	250	1,930
Goodwill	14,729	14,729
Other Intangible assets	1,177	1,583
Deferred tax assets	10,764	3,182
Other assets	42,792	15,321
Total assets	1,310,287	1,320,788
Liabilities		
Interest-bearing bank borrowings	50,067	70,108
Lease liabilities	152	1,647
Income tax payable	3,975	7,441
Deferred tax liabilities	4,952	116
Other payables	21,150	12,610
Total liabilities	80,296	91,922
Net assets	1,229,991	1,228,866

Note:

(1) The right-of-use assets mainly consist of the leases of properties.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2019 and 2020, we had cash and cash equivalents of RMB36.1 million and RMB31.9 million, respectively. Such decrease in our cash and cash equivalents was primarily due to the decrease in our loan size of RMB265.3 million and the increase in financial assets at fair value through profit or loss of RMB244.6 million.

Loans and Accounts Receivable

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

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

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Net lease receivables	10,475	35,298
Loans receivable	876,020	1,129,136
Total loans and accounts receivable	886,495	1,164,618
Less: Allowance for impairment losses		
— Individual assessed	(34,957)	(43,439)
— Collective assessed	(18,002)	(22,355)
Total allowance for impairment losses	(52,959)	(65,794)
Net loans and accounts receivable	833,536	1,098,824

Our net loans receivable decreased from RMB1,098.8 million as of 31 December 2019 to RMB833.5 million as of 31 December 2020 due to the fact that we adjusted our strategy by decreasing our loan size to guard against the increasing credit risk of the market.

As of 31 December 2020, our maturity profiles within one year and over one year accounted for 81.4% and 10.5% of the total loans, respectively. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Past due	71,042	8.1	80,156	7.1
Due within three months	206,168	23.5	227,779	20.1
Due between three months and six months	255,162	29.1	311,509	27.6
Due between six months and one year	252,335	28.8	286,437	25.4
Due over one year	91,313	10.5	223,255	19.8
Total	876,020	100.0	1,129,136	100.0

The majority of our loans during the years ended 31 December 2019 and 2020 were guaranteed loans and collateral-backed loans, which accounted for 38.8% and 60.7% of our loans receivables as of 31 December 2019 and 34.6% and 64.8% of our loans receivables as of 31 December 2020, respectively. The following table sets forth the balance of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Credit loans	4,997	0.6	6,094	0.5
Guaranteed loans	303,072	34.6	437,676	38.8
Collateral-backed loans				
— with guarantee	547,371	62.5	461,062	40.8
— without guarantee	20,580	2.3	224,304	19.9
Total	876,020	100.0	1,129,136	100.0

Financial Assets at Fair Value through Profit or Loss

For the year ended 31 December 2020, our financial assets at fair value through profit or loss primarily consisted of wealth management products and listed securities.

We invest in wealth management products, listed securities and other unlisted investments with our laid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such financial assets, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our securities investment team conducts risk control and supervision over our investments to effectively manage the investment procedures. All these investment activities are subject to applicable laws and regulations. As of 31 December 2020, the balance of our investments wealth management products listed securities and other unlisted investments were RMB131.4 million, RMB212.3 million and RMB19.1 million, respectively.

Goodwill

Our goodwill remained at RMB14.7 million as of 31 December 2019 and 2020.

Other Intangible Assets

Other intangible assets decreased from RMB1.6 million as of 31 December 2019 to RMB1.2 million as of 31 December 2020, mainly due to the amortization of intangible assets.

Deferred Tax Assets

The deferred tax assets increased from RMB3.2 million as of 31 December 2019 to RMB10.8 million as of 31 December 2020, mainly due to (i) the increase in the deductible temporary differences before income tax arising from impairment losses on loans and accounts receivable of RMB4.6 million; and (ii) the increase in the fair value adjustments of financial assets at fair value through profit or loss of RMB3.0 million.

Other Assets

Our other assets primarily consist of repossessed assets, prepaid tax, deposit payment, deferred and prepaid expenses and other receivables.

Our other assets increased from RMB15.3 million as of 31 December 2019 to RMB42.8 million as of 31 December 2020, mainly due to (i) the prepayment of purchase of non-performing loans of an independent third party; and (ii) prepaid income tax. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Repossessed assets	10,506	12,856
Prepaid tax	1,243	—
Deposit payment	30,000	—
Other receivables	605	1,692
Deferred and prepaid expenses	438	773
Total other assets	42,792	15,321

Income tax payable

Our income tax payable, which represents our current income tax liabilities, was RMB7.4 million and RMB3.9 million, respectively, as of 31 December 2019 and 2020.

Other payables

Our other payables mainly include payrolls payable, value-added tax and surcharges payable, deposits received and others. As of 31 December 2019 and 2020, our other payables were RMB12.6 million and RMB21.1 million, respectively. Such increase was mainly due to the increase in deposits received from a non-performing loan of RMB12.9 million, partially offset by the decrease in payrolls payable of RMB1.4 million and the decrease in other deposits of RMB2.9 million.

Indebtedness

Interest-bearing bank borrowings

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

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Guaranteed bank loans	50,067	70,108
Total	50,067	70,108

Lease Liabilities

Our lease liabilities decreased from RMB1.6 million as of December 2019 to RMB0.2 million as of 31 December 2020 mainly because of the decrease in rental cost as we purchased a property as our office.

Contingent Liabilities

As of 31 December 2020, we were subject to one pending civil proceeding as one of the defendants in relation to the shareholder's obligation of capital contribution with an amount of approximately RMB12.0 million to the Company. As the date of this annual report, no hearing has been held. The Directors, based on the advice from PRC legal adviser, believe that no provisions were needed and this proceeding would not have any material adverse effect on our business, financial position or results of operations.

Asset-backed Securities

In 2019, we proposed to issue asset-backed securities in the PRC with an aggregated principal amount of not more than RMB300.0 million and obtained a 12-months' approval from the Shenzhen Stock Exchange. In October 2020, we applied for certain changes after the approval in relation to the change of the issuance size to RMB100.0 million by the Shenzhen Stock Exchange (the "**Changes**").

As of the date hereof, the Changes have not been completed and no such asset-backed securities have been issued by the Company. For more details, please refer to the announcement of the Company dated 3 April 2019, the circular of the Company dated 24 April 2019, the poll results announcement of the Company dated 12 June 2019 and the 2019 annual report of the Company dated 23 April 2020.

Capital Expenditures

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Capital expenditures		
— Micro-credit business	8,531	2,926
Total	8,531	2,926

Related Party Transactions

None of the related party transactions set out in note 29 to the consolidated financial statements constitutes connected transactions or continuing connected transactions which are subject to the reporting, annual review, announcement and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commitment and Contractual Obligations

Capital Commitments

Our capital commitment, which was contracted but not provided for in the financial statements, was in respect of a software and leasehold improvements during the Reporting Period. Our capital commitment increased from RMB767,000 as of 31 December 2019 to RMB883,248 as of 31 December 2020 mainly due to the development of software and leasehold improvements.

Key Financial Ratios

The table below sets out our key financial ratios as of the dates indicated:

	As of/For the year ended 31 December	
	2020	2019
Return on equity[(1)]	3.8%	6.0%
Return on assets[(2)]	4.1%	5.6%
Gross loans to total assets[(3)]	67.7%	88.2%
Gearing ratio[(4)]	1.7%	3.2%

Notes:

(1) Return on equity is calculated by dividing net profit attributable to owners of the parent for the year by the balance of equity attributable to owners of the parent as of the indicated dates multiplied by 100%.

(2) Return on assets is calculated by dividing net profit for the year by the balance of total assets as of the indicated dates multiplied by 100%.

(3) Gross loans to total assets ratio equals the gross loans receivable amount as of the indicated dates divided by the total assets as of the same date and multiplied by 100%. Gross loans receivable represent our total loans receivable before the deduction of allowance for impairment.

(4) Gearing ratio equals net debt as of the indicated date divided by the aggregate of our capital and net debt as of the same date multiplied by 100%. It reflects our financial leverage.

Our return on equity reflecting our financial performance decreased from 6.0% for the year ended 31 December 2019 to 3.8% for the year ended 31 December 2020 primarily due to the decrease in the net profit as a result of the increase in provision for loan impairment loss in 2020. Our return on assets reflecting our profitability decreased from 5.6% for the year ended 31 December 2019 to 4.1% for the year ended 31 December 2020 primarily due to the decrease in the average effective interest rate per annum. Our gross loans to total assets reflecting our high capital utilization ratio remained at a high level with a decrease from 88.2% as of 31 December 2019 to 67.7% as of 31 December 2020 primarily due to the decrease in gross loans. Our gearing ratio reflecting our financial leverage decreased from 3.2% as of 31 December 2019 to 1.7% as of 31 December 2020, mainly due to the decrease in the amount of outstanding bank borrowings.

Off-balance Sheet Arrangements

As of 31 December 2020, we did not have any off-balance sheet arrangements.

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from mainland China for the year ended 31 December 2020.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no material investments or acquisitions by our Group for the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

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

Save as disclosed above, our Group had no future plans for material investments or external financing as of 31 December 2020.

CHARGE ON OUR GROUP'S ASSETS

As of 31 December 2020, we did not have any charges on our assets.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2020, our Group had 67 employees, all of whom were based in Fujian province. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As of 31 December 2020, our Group was not involved in any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Listing Rules.

PROSPECTS

The COVID-19 epidemic in 2020 has caused a significant impact on the global economy. The epidemic expedited the penetration of the internet economy, making the public more acceptable and accustomed to online service model.

In 2020, part of our offline operations was affected by the epidemic. In order to better cope with the changing economic and social environment, we will gradually develop online approval based on our information system to carry out online business. After the epidemic abates, we will fully carry out our offline business and adopt both offline and online business model.

As a result of the epidemic, we have developed an online training system this year that allows employees to learn at their own time. In addition, we will gradually conduct offline training after the ease of the epidemic.

With the vision "To become China's leading provider of microfinance services", our Group is committed to assisting in adding value to customers with professional and efficient services.

Our business was affected by the worldwide economic downturn caused by the COVID-19 pandemic. We maintained sound operations in 2020 due to our timely adjustments to our strategy.

As for our business, we upgraded our risk control standards to ensure project quality and strictly controlled business risks. We also adopted a business strategy based on the mortgage of quality properties to cope with market risks. We strengthened our online information system, which is now available for business approval, making it easier to conduct business. We will continue to enrich the functions of our online information system in the future.

In order to further improve the service capability of our employees, we developed an online learning system, which offers different training courses based on the nature of the position and the development stage of the staff in a targeted manner. The online learning system is convenient and efficient as it enables employees to use fragmented time for learning, without the restriction of time and location.

In 2020, we understood the complexity and uncertainty in traditional businesses. We had been adjusting the capital structure of the Company gradually and had started to increase the proportion of our non-credit assets.

In addition, our Group won more supportive policies for the local micro-credit industry through local financial industry associations in Quanzhou, which mitigated the impact of economic environment.

With the implementation of further strengthened financial regulations in China, in particular, the in-depth dealing with illegal and private lending, the industrial environment is more favorable to the sustainable development of licensed institutions in 2021. The global economy is recovering with the epidemic being under-control and the gradual rollout of vaccine, which is in favour of the profitability of enterprises and employment rate, therefore we expect our customers would further consolidate their business. We expect that the credit policy of the Central Bank of PRC will get back to normal accordingly, which will encourage some customers to apply for lending from licensed institutions instead of banks given the increasing credit risk of these customers.

2021 is a year of challenges and opportunities. We will stick to our steady development strategy for greater development.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Wu Zhirui (吳智銳), aged 44, has been our executive Director and the Chairman since 20 November 2012 and 18 January 2021, respectively. Mr. Wu was our non-executive Director between January 2010 and April 2010. He resigned in April 2010 and rejoined our Group on 1 January 2011 as a deputy general manager of the Company, responsible for participating in the day-to-day management of our business operations. He has been the general manager of the Company from 20 November 2012 to 18 January 2021. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. Currently, Mr. Wu also served as a legal representative of Quanzhou Huixinxing. Mr. Wu has approximately 18 years of experience in enterprise management. Prior to joining our Group, he worked as the branch representative of Zhengzhou branch of Xiahua Monitor System Co., Ltd.* (廈華顯示系統有限公司) (being principally engaged in selling colorful monitors), being a subsidiary of Xiamen Overseas Chinese Electronic Co., Ltd.* (廈門華僑電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600870) (being principally engaged in the development, production and manufacturing of the components of electronic devises and hardware fittings) from September 2000 to March 2004. He was responsible for marketing management during the relevant period. From July 2006 to December 2007, Mr. Wu worked as a strategy consultant in Guangzhou Zhenglue Junce Management Consultancy Company Limited* (廣州正略均策管理諮詢有限公司) which was principally engaged in management consultancy. He was responsible for providing strategic and key steps planning during the relevant period. He worked as the general manager of the operation and management department in Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司) ("**Septwolves Group Holding**") (a company principally engaged in project investment and asset management business) from December 2007 to December 2010 and was responsible for participating in project investment and branch management and control.

Mr. Wu graduated from Xiamen University (廈門大學), the PRC in July 2000 with a bachelor's degree in management. He subsequently obtained a master's degree in business administration from Xiamen University (廈門大學), the PRC in June 2006.

Mr. Zhou Yongwei (周永偉) (formerly known as Mr. Zhou Lianqi (周連期)), aged 58, has been our executive Director since 8 January 2010. He is primarily responsible for corporate strategic planning and overall business development and management of our Group. Mr. Zhou has approximately 33 years of experience in finance and investment industry and has extensive experience in corporate management and business operation. Mr. Zhou joined our Group on 8 January 2010 as a Director. He has been our Chairman from 8 January 2010 to 18 January 2021. Mr. Zhou worked as a salesperson and deputy branch director in the Jinjing office, Jinjiang branch of the Bank of China from January 1981 to June 1987 and July 1987 to May 1993 respectively. He was responsible for the daily business operation management during the relevant period. He has worked as a director of Fujian Septwolves Industry (formerly known as Fujian Septwolves Clothing Industry Company Limited* (福建七匹狼製衣實業有限公司), a company principally engaged in design, manufacturing and sales of the clothing product and clothing raw materials since May 1993, which is listed on the Shenzhen Stock Exchange (stock code: 002029). He was responsible for strategic planning and overall management during the relevant period. Mr. Zhou has been a director and chairman of Fujian Septwolves Group (a company principally engaged in project investment and asset management business) since January 1997 and October 2008 respectively. He was responsible for strategic planning and overall management during the relevant period. He worked as a director of Septwolves Group Holding (a company principally engaged in project investment and asset management business) since February 2000 and he is responsible for strategic planning but does not participate in its daily management. In addition, he has also served as a director of various companies invested or controlled by Fujian Septwolves Group, including Fujian Baiying Financing Guarantee Co., Ltd.* (福建百應融資擔保股份有限公司) (formerly known as Jinjiang Financing Guarantee Co., Ltd.* (晉江融資擔保有限責任公司)).

Mr. Zhou obtained a bachelor's degree in economics and administration management from Nanjing Institute of Politics, the PRC (南京政治學院) in December 2013. Mr. Zhou was awarded the Bauhinia Cup Outstanding Entrepreneur Awards by the Hong Kong Polytechnic University on 28 November 2013. Mr. Zhou was recognized as the National Model Worker by the State Council in April 2010. He also serves as a member of the People's Congress of Fujian Province* (福建省人民代表大會) for a term from January 2013 to January 2018, a member of the Standing Committee of the People's Congress of Jinjiang City (晉江市人民代表大會) for a term from December 2011 to December 2016, the vice president of the Federation of Industry and Commerce of Xiamen City* (廈門市工商業聯合會) for a term from December 2017 to December 2022, the vice chairman of Fujian Overseas Chinese Federation* (福建省僑聯) for a term from September 2017 to September 2022, and was elected as the first president of Oversea Chinese Businessmen Federation of Quanzhou City* (泉州市僑商聯合會) in December 2012.

Mr. Yan Zhijiang (顏志江), aged 39, has been our executive Director, secretary to the Board, general manager and joint company secretary and general manager since 11 November 2013, 10 July 2014, 3 September 2014 and 18 January 2021, respectively. He resigned as a secretary to the Board in March 2017 and was re-appointed as the secretary to the Board since 1 November 2019. Mr. Yan resigned as deputy general manger followed by his appointment as the general manager of the Company. He is primarily responsible for formulating and implementing our corporate governance measures and risk management policy, and implementing operation plans and participating in the day-to-day management of our business operations. Mr. Yan has approximately 17 years of experience in legal matter management and risk management. Mr. Yan joined our Group on 11 November 2013 as an executive Director. Prior to joining our Group, he worked as a legal executive of Xiamen Xintaiyang Import and Export Trading Company Limited* (廈門新泰陽進出口貿易有限公司) (a company principally engaged in exporting, importing, processing and trading business) from July 2003 to January 2005 and was responsible for corporate legal matters. From February 2005 to February 2006, he worked as a clerk of Dehua County People's Court* (德化縣人民法院) and was responsible for assisting the judge and records keeping. Mr. Yan worked as a trainee lawyer and lawyer in Xiamen Jianchang Law Office* (廈門建昌律師事務所) from February 2006 to May 2008. From June 2008 to July 2010, Mr. Yan worked as the head of legal department of Septwolves Group Holding and was responsible for corporate legal matters. From August 2010 and March 2014, he worked as the general manager of the risk management department of Septwolves Group Holding. He was responsible for corporate legal matters and risk management matters during the relevant period.

Mr. Yan achieved the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in February 2006, and has been a qualified secretary to the Board as accredited by the Shanghai Stock Exchange since 9 August 2013. Mr. Yan obtained a bachelor's degree in law from Sun Yat-sen University, the PRC (中山大學) in July 2003.

Ms. Liu Aiqin (劉愛琴), aged 44, has been re-designated as our executive Director since 25 August 2017. Ms. Liu was a non-executive Director prior to her re-designation as an executive Director. Ms. Liu currently serves as the head of our financial department and is primarily responsible for the financial management and providing strategy advice to the business and operation of our Group. She has been the senior manager of the budget management department of Septwolves Group Holding from June 2015 to June 2017. She was a financial manager of Xiamen Septwolves Venture Capital Co., Ltd.* (廈門七匹狼創業投資有限公司) from September 2011 to June 2015. Ms. Liu worked as a remuneration and project accountant in Xiamen Broadcast and Television Group* (廈門廣播電視集團) from July 2008 to August 2011. From July 2000 to September 2004, she was employed by Xiamen Jinyang Harness Industry Company Limited* (廈門金洋馬具工業有限公司) and had served as a deputy general manager during the period.

Ms. Liu obtained a bachelor's degree in philosophy from Xiamen University, the PRC (廈門大學) in July 1999 and a master degree in management from Xiamen University, the PRC in July 2008. She obtained a certificate of intermediate level accountant qualification in August 2011.

Non-executive Directors

Mr. Jiang Haiying (蔣海鷹), aged 45, has been our non-executive Director since 12 June 2015. He is primarily responsible for providing strategic advice to the business and operation of our Group. Mr. Jiang has over 26 years of experience in enterprise management. Mr. Jiang worked as the business manager of Fujian Huian Haoda from 1994 to 1997. Since October 2003, Mr. Jiang has worked as the general manager of Quanzhou Haoxiang.

Mr. Jiang graduated from the Otemon Gakuin University, Japan (日本大阪追手門學院大學) in 26 March 2003 majoring in international economics. Mr. Jiang has served as the vice president of the Young Entrepreneur Association of Quanzhou City* (泉州市青年企業家協會) and the Junior Chamber of Quanzhou City* (泉州市青年商會) since 2005. He also has been the vice president of the Stoning Trade Council of Huian County* (惠安縣石雕石材同業公會) since 2008. Since 2012, he has served as a member of the Standing Committee of Huian County* (惠安縣常委會) and the vice president of the Stone Association of Fujian Province* (福建省石材行業協會) Mr. Jiang serves as a member of the People's Congress of Quanzhou City (泉州市人民代表大會) and an executive member of the Federation of Industry and Commerce of Quanzhou City*(泉州市工商業聯合會) since January 2017.

Mr. Cai Rongjun (蔡鎔駿), aged 34, has been our non-executive Director since 12 June 2018. He is primarily responsible for providing strategic advice to the business and operation of our Group. From January 2017 to present, Mr. Cai works as the general manager of Fujian Panpan Investment LLC (福建盼盼投資有限公司). From September 2009 to present, Mr. Cai works as the general manager of Anhui Junan Real Estate Development LLC (安徽君安房地產開發有限公司). Mr. Cai worked as the general manager of Jinyuan Real Estate Development LLC (金源房地產發展有限公司) of Longyan City from September 2006 to September 2009.

From 2009 to present, Mr. Cai serves as the standing vice president of Fujian Chamber (福建商會) of Chuzhou City, Anhui Province. From 2013 to present, Mr. Cai serves as a member of Junior Chamber (青商會) of Fujian Province. He also served as a deputy of the 13th People's Congress of Anhui Province (安徽省第十三屆人大代表) in 2018.

Mr. Cai graduated from Jiangxi University of Technology (江西科技學院) majoring in business management in December 2016.

Independent non-executive Directors

Mr. Zhang Lihe (張立賀), aged 44, has been our independent non-executive Director since 10 July 2014. He is primarily responsible for providing independent opinion and judgment to our Board, particularly with regard to the financial aspects of our Group. Mr. Zhang joined our Group on 10 July 2014 as a Director. Mr. Zhang worked successively as the project manager, senior manager and partner of Xiamen Tianjian Huatian Accounting Firm* (廈門天健華天會計師事務所), Tianjian Huazheng Zhongzhou (Beijing) Accounting Firm (Xiamen Branch)* (天健華證中洲(北京)會計師事務所(廈門分所)), Tianjian Guanghua Accounting Firm (Xiamen Branch)* (天健光華會計師事務所(廈門分所)) and Tianjian Zhengxin Accounting Firm (Xiamen Branch)* (天健正信會計師事務所(廈門分所)) respectively from December 1999 to May 2012. Mr. Zhang worked as a partner of Grant Thornton Accounting Firm (Xiamen Branch)* (致同會計師事務所(廈門分所)) from June 2012 to October 2019. He has been working as the partner of Rongcheng Accounting Firm* (容誠會計師事務所) (formerly known as Huapu Tianjian Accounting Firm* (華普天健會計師事務所)) from November 2019 up to present.

Mr. Zhang is a certified public accountant in the PRC. Mr. Zhang obtained a master degree in accounting from Xiamen University, the PRC (廈門大學) in December 2007.

Mr. Lin Jianguo (林建國), aged 69, has been our independent non-executive Director since 12 June 2017. He is primarily responsible for providing independent opinion and judgment to our Board. Mr. Lin served in the Chinese People's Liberation Army from January 1969 to December 1987. After his military career, he worked in the Bank of China (中國銀行), successively as the vice president of Shishi Sub-branch, vice president of Jinjiang Sub-branch, president of Jinjiang Sub-branch, president of Shishi Sub-branch, vice president of Zhangzhou Branch, president of Fuqing Sub-branch and the investigator of Quanzhou Branch from February 1988 to October 2011.

Mr. Lin graduated from Northwestern Polytechnical University (西北工業大學) majoring in aerodynamics in November 1978.

Mr. Sun Leland Li Hsun (孫立勳), aged 59, has been our independent non-executive Director since 12 June 2017. He is primarily responsible for providing independent opinion and judgment to our Board. Mr. Sun has been an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行) (stock code: 3618) since 2011. He is also an independent non-executive director and chairman of the audit committee of Mizuho Securities Asia Limited (瑞穗證券亞洲有限公司) and member of remuneration committee since 2014. Mr. Sun founded Pan Asian Mortgage Company Limited* (宏亞按揭證券有限公司), an innovative non-banking financial services company specializing in residential mortgage financing in Hong Kong in 2001. He was appointed as the chief operating officer of the Hong Kong Mortgage Corporation (香港按揭證券有限公司) by the Financial Secretary of Hong Kong SAR Government in 1997. Previously, he was a senior managing director of Bear Stearns Asia Limited (美國貝爾斯登亞洲有限公司), and an executive director of Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限公司).

Mr. Sun is a vice chairman of Hong Kong General Chamber of Commerce (香港總商會), honorary treasurer of Business and Professionals Federation of Hong Kong (BPF) (香港工商專業聯會) and a member of Executive Committee of Servicemen's Guides Association* (軍人輔導會). Previously, Mr. Sun was the president of The American Club in Hong Kong (香港美國會) and a member of Executive Committee (Treasurer) and board of governors of the American Chamber of Commerce in Hong Kong (香港美國商會).

Mr. Sun obtained his Master of Business Administration majoring in finance from the UCLA Anderson School of Management in June 1986 and was named as one of the 100 Most Inspirational Alumni in 2001. He is also a board member of the Fink Center for Finance & Investments since 2010.

SUPERVISORS

Ms. Hong Lijun (洪麗君), aged 34, has been an employee representative Supervisor and the chairperson of the Supervisory Committee since 10 July 2014 and 15 December 2015, respectively. Ms. Hong joined our Group on 18 July 2011 as a business manager of the Company. She has been promoted as a senior manager of the Company since April 2013. She is primarily responsible for project due diligence and relationship maintaining. Prior to joining our Group, she worked as a client manager of the Quanzhou Tian'an Road sales office of Haitong Securities Co., Ltd.* (海通證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600837) and the Stock Exchange (stock code: 6837) which was principally engaged in securities brokerage, operation, underwriting, sponsorship, investment consultancy and financial advisory in securities trading and investment from September 2009 to May 2011. She was responsible for securities brokerage and securities investment consultancy during the relevant period.

Ms. Hong obtained a bachelor's degree in economics from Beijing Normal University, the PRC (北京師範大學) in July 2009.

Ms. Ruan Cen (阮岑), aged 40, has been an employee representative Supervisor since 10 July 2014. Ms. Ruan joined our Group in 1 March 2010 as an administration manager of the Company. She is primarily responsible for administrative work and team building. Prior to joining our Group, she worked as a salesperson of Quanzhou Qinggong Gongyi Importing and Exporting (Group) Co., Ltd.* (泉州輕工工藝進出口(集團)公司) (a company principally engaged in operating and agency in exporting and importing products and technology apart from the 16 kinds of export products organized uniformly by the government and 14 kinds of import products approved to be traded by the government) from July 2004 to June 2006 when she was responsible for assisting in the business of the company. She worked as a salesperson of Quanzhou Qingyi Co., Ltd.* (泉州輕藝股份有限公司) (a company principally engaged in operating and acting as agent in exporting and importing products and technology) from July 2006 to February 2010 when she was responsible for assisting in the business of the company.

Ms. Ruan obtained a bachelor's degree in international economics and trade from Huaqiao University, the PRC (華僑大學) in July 2004, and the qualification of intermediate economist in January 2011.

Mr. Li Jiancheng (李建成), aged 33, has joined our Group as a Shareholder representative Supervisor since 4 February 2016. He resigned as a Shareholder representative Supervisor on 22 August 2017 and rejoined on 12 June 2018. Mr. Li worked as an office secretary of Septwolves Group Holding since April 2012.

Mr. Li completed his four-year study in art design from Zhejiang University (浙江大學), the PRC in July 2011.

Mr. Chen Jinzhu (陳金助), aged 44, has been an independent Supervisor since 15 December 2015. From October 2000 to April 2002, Mr. Chen worked as a legal executive of Xiamen Xinhua Borui Productivity Development Company Limited* (廈門新華博瑞生產力發展有限公司). He worked as a trainee lawyer and lawyer in Fujian Jianchang Law Office* (福建建昌律師事務所) from May 2002 to October 2011. From November 2011 to January 2017, he worked as a lawyer of Yingke (Xiamen) Law Firm* (北京盈科(廈門)律師事務所). Since January 2017, he has been a lawyer of Shanghai Co-effort (Xiamen) Law Firm* (上海協力(廈門)律師事務所). Mr. Chen received the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in March 2001.

Mr. Chen obtained a bachelor's degree in law from Northwest University of Politics and Law, the PRC (西北政法大學) in July 2000.

Mr. Wu Lindi (吳麟弟), aged 43, has been an independent Supervisor since 15 December 2015. Mr. Wu worked as a marketing engineer in China Unicom Zhangzhou Branch* (中國聯通漳州分公司) from July 2001 to September 2003. From October 2005 to December 2009, he worked as the project investment director in Xiamen International Trade Corporation* (廈門國貿集團股份有限公司). He was the general manager assistant of Xiamen Chuangyi Venture Investment Company Limited* (廈門創翼創業投資有限公司) from December 2009 to September 2015. Since October 2015, he worked as the senior manager of New Times Securities Co., Ltd* (新時代證券股份有限公司).

Mr. Wu obtained the qualification of intermediate economist on 14 August 2009 and is a certified public accountant of the PRC since 20 December 2009. Mr. Wu graduated from Xiamen University, the PRC (廈門大學) in July 2001 with a bachelor's degree in management. He subsequently obtained a master's degree in business administration from Xiamen University, the PRC (廈門大學) in July 2006.

SENIOR MANAGEMENT

For biographical details of Mr. Wu Zhirui (吳智鋭), Mr. Zhou Yongwei (周永偉), Mr. Yan Zhijiang (顏志江) and Ms. Liu Aiqin (劉愛琴), please refer to the sub-section headed “Executive Directors” above.

Report of the Directors

The Directors are pleased to present the annual report together with the audited financial statements of our Group for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

The Company was incorporated in the PRC on 8 January 2010. Its principal place of business and its registered office in the PRC is at 12/F, Former Finance Building, No. 361 Feng Ze Street, Quanzhou City, Fujian Province, the PRC. Its principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

PRINCIPAL ACTIVITIES

We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs.

BUSINESS REVIEW

A review of our Group's business for the year ended 31 December 2020 and a discussion on our Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Certain financial key performance indicators are provided in the section of "Financial Summary" of this annual report.

Important events affecting our Group that has occurred since the end of the Reporting Period are mentioned in the sub-section headed "Event after the Reporting Period" of this Report of the Directors.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Our Group strictly complies with the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules, and our Group is committed to incorporating the sustainable development principle into our corporate development strategies and daily operation and management and acting as responsible corporate citizen. For details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company persists in maintaining good corporate governance and operating in compliance with relevant requirements of laws and regulations in the PRC, the rules and provisions of the Hong Kong Companies Ordinance, the Listing Rules and the SFO. For details, please refer to the sub-section headed "Compliance with Key Regulatory Requirements" set out in section headed "Management Discussion and Analysis" of this annual report.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2020 are set out in note 1 to the financial statements of this annual report.

Save as disclosed above, Ms. Hong Lijun (洪麗君) has been the director of Hong Kong Huixinhang Co., Limited, an indirect wholly owned subsidiary of the Company.

KEY RELATIONSHIPS

Our Group endeavors to maintain sustainable development in the long run and to continuously create value for our employees and customers. Our Group understands that employees are our valuable assets and the realization and enhancement of employees' interests will facilitate the achievement of our Group's overall goals. We provide comprehensive benefit package and professional training programs for our employees.

Our Group also understands the importance of maintaining good relationships with our customers. We provide our customers with efficient and diversified financial solutions, including loans and finance leasing services, to meet their needs in this complex economic environment. Our Group also continuously improves the quality of customer service by conducting annual survey on customers and employees to review our working behaviors.

During the year ended 31 December 2020, we considered that we maintained a good relationship with our employees and had no significant and substantial disputes with our customers.

KEY RISK FACTORS

The key risks and uncertainties facing our Group are set out below:

Risks relating to our business

The Company operates in a highly regulated industry that is subject to continually evolving laws, regulations and policies, and the Company may be required to make significant changes to its operations from time to time in order to comply with the changes in these laws, regulations and policies. Any new developments in the laws, regulations and policies governing the microfinance industry, including developments at the national, provincial or local level, could change or replace the laws, regulations and policies that are currently applicable to the Company. If the Company does not respond to the changes in a timely manner or fail to fully comply with the applicable laws and regulations, its financial condition, results of operations and business prospects could be adversely affected.

The Company mainly relies on the creditworthiness of its customers and/or their guarantors, rather than on collateral, which may limit its ability to recover payments, from defaulting customers. If a customer defaults on a credit loan, which is a loan that is neither secured by collateral nor backed by any guarantee, the Company's only option is to go after the customer for collection. However, a customer's ability to repay the loan may be limited by various factors, such as the profitability of the customer's business, the development of industries relating to his business, and the local economy of the regions where he conducts business. If a credit loan customer's ability to repay the loan is adversely affected by any of these factors and such customer's default continues, the Company may suffer losses. If a customer defaults on a guaranteed loan, the Company may demand the customer and the guarantors to repay the principal of the loan and any interest accrued. However, in the event that the Company is unable to locate the guarantor, or the guarantor no longer has sufficient or any financial resources to make full repayment on the customer's behalf, the Company's financial condition and results of operations may be materially adversely affected.

The sustainability of the Company's business and future growth depends largely on its ability to effectively manage the credit risk of its loans and maintain a low impaired loan ratio. Any deterioration in its loan portfolio quality and increase in the impaired loan ratio could materially adversely affect its results of operations. If the Company fails to effectively manage credit risk of its loans and maintain a low impaired loan ratio, its business, financial condition and results of operations may be adversely affected.

Our Group's current operations in China are primarily in Quanzhou City. Any significant deterioration of the economy or business environment of Quanzhou City could materially adversely affect its financial condition and results of operations.

Risks relating to employees and senior managements

Our Group may be exposed to fraud or other misconduct committed by its employees, customers or other third parties. Although our Group has established risk management and internal control systems to monitor its operations and overall compliance, our Group can give no assurance that it will be able to identify incidents of non-compliance or suspicious transactions in a timely manner, or at all. Moreover, it may be difficult to deter or prevent fraud or misconduct, such as money laundering activities, and the measures our Group takes to prevent and detect such activities may not be effective, which could lead it to suffer financial losses as well as reputational damage.

Our Group's inability to attract, retain or secure key management and qualified personnel for its operations could hinder its continuing growth and success. Competition for experienced management and other qualified personnel is intense among microfinance companies and financial services providers, and there can be no assurance that our Group will be able to continue to attract and retain the qualified employees essential for its growth. Under such circumstances, if our Group is unable to recruit and retain replacement personnel with equivalent qualifications in a timely manner or at all, its growth and business prospects could be adversely affected.

Our Group's normal course of business is also exposed to a variety of key risks including credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk. Details of the aforesaid risks are set out in note 33 to the financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Interest income from our top five customers combined accounted for less than 30% of our total interest income for the year ended 31 December 2020.

During the year ended 31 December 2020, all of our top five customers were Independent Third Parties and none of our Directors, their close associates or our Shareholders holding more than 5% of the issued share capital of the Company, to the knowledge of our Directors, had any interest in any of our top five customers.

As a microfinance company, our Group does not have any major supplier.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of our Group for the latest five financial years is set out in the section headed "Financial Summary" of this annual report. This summary does not form part of the financial statements.

FINANCIAL STATEMENTS

The profits of our Group for the year ended 31 December 2020 and the state of our Group's affairs as of the date are set out in the section headed "Financial Statements" of this annual report.

A discussion and analysis of our Group's performance during the year and material factors underlying its results and financial position are set out in the section of "Management Discussion and Analysis" of this annual report.

RESERVES

Details of movements in reserves of our Group during the year are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report, of which the details of reserves available for distribution to Shareholders are set out in note 27 to the financial statements of this annual report.

DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2020 (the "**Proposed Final Dividend**") to Shareholders whose names appear on the Company's register of members on Friday, 25 June 2021. Subject to the approval of the Shareholders at the Company's forthcoming AGM to be held on Friday, 11 June 2021, the Proposed Final Dividend is expected to be paid on or around Monday, 16 August 2021.

DIVIDEND POLICY

Subject to the applicable laws, rules, regulations and the Articles and Association, the holders of both Domestic Shares and H Shares shall be entitled to the dividend distribution or any other forms of distribution.

The Company may distribute the dividend by way of cash or any other form to the Shareholders. Declaration of dividends is subject to the discretion of the Board, depending on the financial results, cash flows, financial conditions, development stages and capital needs in the current period. The proposed distribution plan will be submitted by the Board for the Shareholders' consideration and approval at the general meeting by way of resolution. The distribution of dividend will be completed within 3 months upon the approval at the general meeting by the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain Shareholder's entitlement to attend and vote at the AGM, the H Share register of members of the Company will be closed from Wednesday, 12 May 2021 to Friday, 11 June 2021, both days inclusive, during which period no Share transfers will be registered. In order to qualify for attending and voting at the AGM, holders of H Shares shall lodge transfer documents accompanied by the relevant share certificates with the H Share Registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, or to the Company's registered office in the PRC at 12/F, Former Finance Building, No. 361 Feng Ze Street, Quanzhou City, Fujian Province, the PRC, (for holders of Domestic Shares), for registration, no later than 4:30 p.m. on Tuesday, 11 May 2021.

The payment of the Proposed Final Dividend is subject to the approval of the Shareholders at the AGM. For the purpose of determining the entitlement to the Proposed Final Dividend, the H Share register of members of the Company will be closed from Monday, 21 June 2021 to Friday, 25 June 2021 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of H Shares of the Company should ensure that all Share transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration, no later than 4:30 p.m. on Friday, 18 June 2021.

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank and other borrowings as of 31 December 2020 are set out in note 24 to the financial statements of this annual report.

SHARE CAPITAL

There was no change in share capital of the Company during the year. Details of movements in the share capital of our Group during the year are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as of the date of this annual report.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

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

Our Group has not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS AND SUPERVISORS

The following table sets forth information concerning the Directors and Supervisors for the year ended 31 December 2020 and up to the date of this annual report:

Directors

Name	Age	Position	Appointment Date
Mr. Wu Zhirui (吳智鋭)	44	Chairman and executive Director	20 November 2012 (appointed as the Chairman on 18 January 2021)
Mr. Zhou Yongwei (周永偉)	58	Executive Director	8 January 2010
Mr. Yan Zhijiang (顏志江)	39	Executive Director	11 November 2013
Ms. Liu Aiqin (劉愛琴)	44	Executive Director	25 August 2017
Mr. Jiang Haiying (蔣海鷹)	45	Non-executive Director	12 June 2015
Mr. Cai Rongjun (蔡鎔駿)	34	Non-executive Director	12 June 2018
Mr. Zhang Lihe (張立賀)	44	Independent Non-executive Director	10 July 2014
Mr. Lin Jianguo (林建國)	69	Independent Non-executive Director	12 June 2017
Mr. Sun Leland Li Hsun (孫立勳)	59	Independent Non-executive Director	12 June 2017

Supervisors

Name	Age	Position	Appointment Date
Ms. Hong Lijun (洪麗君)	34	Chairwoman of the Supervisory Committee and employee representative Supervisor	10 July 2014
Ms. Ruan Cen (阮岑)	40	Chairwoman of the Supervisory Committee and Employee representative Supervisor	10 July 2014
Mr. Chen Jinzhu (陳金助)	44	Independent Supervisor	15 December 2015
Mr. Wu Lindi (吳麟弟)	43	Independent Supervisor	15 December 2015
Mr. Li Jiancheng (李建成)	33	Shareholder representative Supervisor	4 February 2016 (resigned on 22 August 2017 due to the change in the number of Supervisors for the Supervisory Committee under the Articles of Association and re-appointed on 12 June 2018)

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors and Senior Management" of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company and each service contract is for a term of three years. Save as disclosed above, our Group has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors and/or Supervisors which is not determinable by the employer within one year without the payment of compensation other than statutory compensation.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors and officers liability insurance and the permitted indemnity provision defined in section 469 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) for the benefit of the Directors is currently in force and was in force throughout the year.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and Supervisors are set out in note 10 to the Financial Statements of this annual report.

The remuneration to Directors are subject to the Shareholders' approval at the general meeting. The emoluments payable to the Directors and senior management and their respective contractual terms under their employment contracts or service contracts are determined by the Board with recommendations of the remunerations from the remuneration committee of the Company (the "**Remuneration Committee**"), having regard to their performance, our Group's operating results and comparable market statistics. No Directors or any of their respective close associates was involved in deciding their own remuneration.

Remuneration paid to one member of the senior management of the Company (not being the four executive Directors) for the year ended 31 December 2020 is less than RMB1,000,000. No Director or senior management of the Company has waived or agree to waive any emoluments.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the year ended 31 December 2020.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As of 31 December 2020, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name	Position	Nature of interest	Number of Shares(1)	Percentage in the relevant class of share capital(2)	Percentage in the total issued share capital(3)
Mr. Zhou Yongwei	Executive Director	Interest in controlled corporation(4)	203,932,000 Domestic Shares (L)	40.79%	29.99%
Mr. Jiang Haiying	Non-executive Director	Interest in controlled corporation(5)	50,000,000 Domestic Shares (L)	10.00%	7.35%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) The calculation is based on the percentage of shareholding in Domestic Shares as of 31 December 2020.

(3) The calculation is based on the total number of 680,000,000 Shares in issue which comprised of 180,000,000 H Shares and 500,000,000 Domestic Shares as of 31 December 2020.

(4) Fujian Septwolves Group is directly interested in approximately 40.79% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Fujian Septwolves Group, which is in turn approximately 37.82% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong and approximately 31.09% owned by Mr. Zhou Shaoming. Mr. Zhou Yongwei controls more than one-third of the voting rights of Fujian Septwolves Group and is therefore deemed to be interested in its interest in the Company by virtue of the SFO.

(5) Quanzhou Haoxiang is directly interested in approximately 10% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang, which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening (a company owned as to 63.33% by Mr. Jiang Haiying), approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by Fujian Huian Haoda. Therefore, Mr. Jiang Haiying is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.

Save as disclosed above, as of 31 December 2020, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As of 31 December 2020, the persons or corporations (other than a Director, Supervisor or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholders	Nature of interest	Number of shares(1)	Percentage in the relevant class of share capital(2)	Percentage in the total issued share capital(3)
Fujian Septwolves Group	Beneficial owner	203,932,000 Domestic Shares (L)	40.79%	29.99%
Xiamen Gaoxinhong	Beneficial owner	67,932,000 Domestic Shares (L)	13.59%	9.99%
Xiamen Sifang(4)	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Ms. Zhou Zehui(4)	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Quanzhou Yuanpeng	Beneficial owner	57,248,000 Domestic Shares (L)	11.45%	8.42%
Wealth Success(5)	Interest in controlled corporation	57,248,000 Domestic Shares (L)	11.45%	8.42%

Shareholders	Nature of interest	Number of shares[1]	Percentage in the relevant class of share capital[2]	Percentage in the total issued share capital[3]
Ms. Hong Jingxiao[5]	Interest in controlled corporation	57,248,000 Domestic Shares (L)	11.45%	8.42%
Fujian Panpan	Beneficial owner	54,458,000 Domestic Shares (L)	10.89%	8.01%
Mr. Cai Jinan[6]	Interest in controlled corporation	54,458,000 Domestic Shares (L)	10.89%	8.01%
Quanzhou Haoxiang	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Fujian Haoxiang Gardening[7]	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Mr. Cai Jianchu	Beneficial owner	30,954,000 H Shares (L)	17.20%	4.55%
Ms. Hong Erguan	Beneficial owner	29,416,000 H Shares (L)	16.34%	4.33%
Good Rising Investments Limited	Beneficial owner	29,444,361 H Shares (L)	16.36%	4.33%
Pleasant Advent Limited[8]	Interest in controlled corporation	29,444,361 H Shares (L)	16.36%	4.33%
Ms. Wong Sze Ying Chloe[8]	Interest in controlled corporation	29,444,361 H Shares (L)	16.36%	4.33%
Mr. Wu Weiqi[9]	Interest in controlled corporation	20,554,000 H Shares (L)		
	Beneficial owner	8,516,000 H Shares (L)		
		29,070,000 H Shares (L)	16.15%	4.28%

Shareholders	Nature of interest	Number of shares[1]	Percentage in the relevant class of share capital[2]	Percentage in the total issued share capital[3]
Ms. Cheng Chau Yuet[10]	Beneficial owner	330,000 H Shares (L)		
	Interest of spouse	20,634,000 H Shares (L)		
		20,964,000 H Shares (L)	11.65%	3.08%
Mr. Chong Ming Ting[11]	Interest in controlled corporation	20,514,000 H Shares (L)		
	Beneficial owner	120,000 H Shares (L)		
	Interest of spouse	330,000 H Shares (L)		
		20,964,000 H Shares (L)	11.65%	3.08%
Yue Tai Investment Limited	Beneficial owner	20,554,000 H Shares (L)	11.42%	3.02%
Grand Wealth (HK) Investment Limited	Beneficial owner	20,514,000 H Shares (L)	11.40%	3.02%
Mr. Xu Yingyi	Beneficial owner	11,508,000 H Shares (L)	6.39%	1.69%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares or the H Shares (as the case may be).

(2) The calculation is based on the percentage of shareholding in the Domestic Shares or H Shares (as the case may be) as of 31 December 2020.

(3) The calculation is based on the total number of 680,000,000 Shares in issue which comprised of 180,000,000 H Shares and 500,000,000 Domestic Shares as of 31 December 2020.

(4) The disclosed interest represents the interest in the Company held by Xiamen Gaoxinhong, which is in turn approximately 59% owned by Xiamen Sifang, approximately 23% owned by Ms. Zhou Zehui and approximately 18% owned by Ms. Wu Changfeng, and Xiamen Sifang is in turn approximately 95% owned by Ms. Zhou Zehui. Therefore, each of Xiamen Sifang and Ms. Zhou Zehui is deemed to be interested in Xiamen Gaoxinhong's interest in the Company by virtue of the SFO.

(5) Quanzhou Yuanpeng is directly interested in approximately 11.45% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng, which is wholly owned by Wealth Success, a company 100% owned by Ms. Hong Jingxiao. Therefore, each of Wealth Success and Ms. Hong Jingxiao is deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.

(6) The disclosed interest represents the interest in the Company held by Fujian Panpan, which is in turn approximately 80% owned by Mr. Cai Jinan. Therefore, Mr. Cai Jinan is deemed to be interested in Fujian Panpan's interest in the Company by virtue of the SFO.

(7) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang, which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening, approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by Fujian Huian Haoda. Therefore, Fujian Haoxiang Gardening is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.

(8) Good Rising Investments Limited is directly interested in approximately 16.36% of the issued H Shares. The disclosed interest represents the interest in the Company held by Good Rising Investments Limited, which is wholly owned by Pleasant Advent Limited, a company 100% owned by Ms. Wong Sze Ying Chloe. Therefore, each of Pleasant Advent Limited and Ms. Wong Sze Ying Chloe is deemed to be interested in Good Rising Investments Limited's interest in the Company by virtue of the SFO.

(9) Yue Tai Investment Limited is directly interested in approximately 11.42% of the issued H Shares. The disclosed interest represents the interest in the Company held by Yue Tai Investment Limited, a company 100% owned by Mr. Wu Weiqi. Therefore, Mr. Wu Weiqi is deemed to be interested in Yue Tai Investment Limited's interest in the Company by virtue of the SFO.

(10) Ms. Cheng Chau Yuet is deemed to be interested in the 20,634,000 H Shares held by her spouse Mr. Chong Ming Ting by virtue of the SFO.

(11) The disclosed interest represents the interest in the Company held by Grand Wealth (HK) Investment Limited, a company 100% owned by Mr. Chong Ming Ting. Therefore, Mr. Chong Ming Ting is deemed to be interested in Grand Wealth (HK) Investment Limited's interest in the Company by virtue of the SFO. In addition, Mr. Chong Ming Ting is deemed to be interested in the 330,000 H Shares held by his spouse Ms. Cheng Chau Yuet by virtue of the SFO.

Save as disclosed above, as of 31 December 2020, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND SUPERVISOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sub-section headed "Connected Transaction" in this report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or Supervisor or an entity connected with a Director or Supervisor had a material interest, either directly or indirectly subsisted as of 31 December 2020 or at any time during the year ended 31 December 2020.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sub-section headed "Connected Transaction" in this report, there had been no contract of significance between the Company and a controlling Shareholder (as defined in the Listing Rules) of the Company during the year ended 31 December 2020.

COMPETING BUSINESS

None of the Directors and their close associates had any interest in any competing business with our Group during the year.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Each of our Substantial Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings given by them to the Company during the year ended 31 December 2020. Pursuant to the non-competition agreement, the Substantial Shareholders agreed not to, and to procure their subsidiaries (other than the Company) and their close associates not to compete, either directly or indirectly, with the principal business of the Company and granted to the Company the option for new business opportunities, the option for acquisitions and pre-emptive rights.

The Substantial Shareholders have further irrevocably undertaken in the non-competition agreement that, during the term of the non-competition agreement, they will not, and will also procure their subsidiaries (other than the Company) and their close associates not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business (other than the Finance Businesses) that competes, or is likely to compete, directly or indirectly with the principal business of the Company. The foregoing restrictions are subject to the Company's right to waive certain new business opportunities pursuant to the terms and conditions under the non-competition agreement.

The foregoing restrictions do not apply to (1) the Finance Businesses; (2) the purchase by Fujian Septwolves Group, its subsidiaries or close associates for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with our principal business; or (3) the holding by Fujian Septwolves Group, its subsidiaries or close associates of not more than 10% equity interest in other companies whose business competes or is likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as "**Investment Companies**" for scenarios (2) and (3)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which Fujian Septwolves Group, its subsidiaries or close associates are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interests of such Investment Companies are being held by Fujian Septwolves Group, its subsidiaries or close associates. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied with by each of the Substantial Shareholders during the Reporting Period.

ARRANGEMENT FOR DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or Supervisors or their respective spouses or minor children, or were such rights exercised by them, or was the Company or any its subsidiaries a party to any arrangements to enable the Directors or Supervisors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As of 31 December 2020, the Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PENSION SCHEME

Our Group participates in pension scheme organized by the government of Fujian Province for our Group's employees based in the PRC. Contributions to this pension plan are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. Our Group has no obligation for the payment of pension benefits beyond the contributions described above.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2020, the Company complied with all code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

Principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2020, the Company initiated 6 new legal proceedings to recover overdue payments from our customers. We were also subject to one pending civil litigation proceeding as one of the defendants in relation to the shareholder's obligation of capital contribution with an amount of approximately RMB12.0 million to the Company. As the date of this report, no hearing has been held. The Directors, based on the advice from PRC legal adviser, believe that no provisions were needed and this proceeding would not have any material adverse effect on our business, financial position or results of operations.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed above and in the notes to the financial statements of this annual report, the Board is not aware of any events after the Reporting Period.

CONNECTED TRANSACTION

On 29 December 2020, Huixinxing (a wholly-owned subsidiary of the Company, as limited partner) entered into a partnership agreement (the "**Partnership Agreement**") with Quanzhou Fengrui Investment Management Co., Ltd.* (泉州市峰瑞投資管理有限公司) ("**Quanzhou Fengrui**") (as General Partner), Quanzhou Industrial Equity Investment Fund Limited* (泉州市產業股權投資基金有限公司) (as Limited Partner), Lianjie Investments Group Limited* (連捷投資集團有限公司) (as Limited Partner), Fujian Jinrong Investment Holding Co., Ltd.* (福建省晋融投資控股有限公司) (as Limited Partner), Fujian Septwolves Group (a Substantial Shareholder, as Limited Partner), Xiamen Paoyou Network Technology Co., Ltd. (廈門泡遊網路科技公司) (as Limited Partner), Mr. Zhong Jiabin (鍾加斌) (as Limited Partner), Mr. Zhang Shiju (張世居) (as Limited Partner), Ms. Wang Xiaoling (王曉玲) (as Limited Partner), Mr. Zeng Wenge (曾文革) (as Limited Partner), Gongqing Chengfengrui Investment Limited Partnership* (共青城峰瑞投資合夥企業(有限合夥)) (as Limited Partner) and Quanzhou Jintong Capital Management Co., Ltd.* (泉州市金同資本管理有限公司) (as Limited Partner) in respect of, among other things, the formation of a fund for investment in new generation information technology, IT service and IT related companies (the "**Fund**").

Pursuant to the Partnership Agreement, the total capital commitment to the Fund is RMB400 million, among which the total amount of capital to be contributed by Huixinxing as a limited partner is RMB30 million, accounting for 7.5% of the size of the Fund, and the total amount of capital to be contributed by Fujian Septwolves Group as a limited partner is RMB35 million, accounting for 8.75% of the size of the Fund.

The formation of the Fund provides an opportunity for the Group to exploit potential investment opportunities in the booming new economy in China. By partnering with Quanzhou Fengrui and investing in the Fund, the Group will be able to leverage on their extensive experience in investment management and invest in technology-related companies, such as new generation information technology, IT service companies and etc. in the early or growth phase of their development.

Fujian Septwolves Group is a Substantial Shareholder holding approximately 29.99% of the entire issued capital of the Company, and hence a connected person of the Company pursuant to the Listing Rules. As such, the entering into of the Partnership Agreement to which Fujian Septwolves Group is a party and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Partnership Agreement exceeds 0.1% but is less than 5%, this connected transaction is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For more details, please refer to the announcement of the Company in relation to the connected transaction regarding the Partnership Agreement for the formation of the Fund dated 29 December 2020.

As of the date of this report, the formation of the Fund, namely Quanzhou Fengrui Equity Investment Limited Partnership* (泉州市峰睿股權投資合夥企業(有限合夥)), was completed.

Save as disclosed above, the Company had no connected transactions that are required to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules.

DONATION

No charitable and other donations were made by our Group during the year ended 31 December 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed and discussed with the management and external auditors, Ernst & Young, the accounting principles and practices adopted by our Group, auditing, risk management and internal control systems and the audited financial report matters including the review of our Group's annual results for the year ended 31 December 2020.

AUDITOR

The financial statements for the year ended 31 December 2020 have been audited by Ernst & Young, who shall retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as an auditor of the Company is to be proposed at the AGM.

By order of the Board
Wu Zhirui
Chairman and executive Director

26 March 2021

Report of the Supervisory Committee

The Supervisory Committee consists of five Supervisors, comprising one representative of Shareholders, namely Mr. Li Jiancheng; two representatives of employees, namely Ms. Hong Lijun (Chairwoman of the Supervisory Committee), and Ms. Ruan Cen; and two independent Supervisors, namely Mr. Chen Jinzhu and Mr. Wu Lindi.

ELECTION AND SERVICE CONTRACTS

Except for the employee representative Supervisors elected by employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment at general meeting. Each of the Supervisors has entered into a service contract with the Company for the year ended 31 December 2020.

MEETING CONDUCTED BY SUPERVISORY COMMITTEE

The Supervisory Committee convened 2 meetings during the year ended 31 December 2020. Such meetings were held in compliance with requirements of relevant regulations and the Articles of Association.

WORK OF THE SUPERVISORY COMMITTEE

During the year ended 31 December 2020, for our Group's long term interests and Shareholders' interests, the Supervisory Committee acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and the Listing Rules and earnestly performed their duties of supervision as to the acts of the Directors and senior management of the Company as follows:

Financial information of our Group

The Supervisory Committee has verified our Group's 2020 financial statements, supervised and inspected our Group's implementation of relevant financial policies and legislations as well as the details on our Group's assets, financial income and expenditure. It is of the opinion that the financial report for 2020 fairly reflected our Group's financial position and operating results.

Operation and internal control of our Group

The Supervisory Committee exercised supervision on a regular basis over the legal compliance and rationality of our Group's operation and management in its ordinary work.

The Supervisory Committee is of the opinion that, our Group's operation and internal control are sound and rational, and is in compliance with all applicable laws, regulations and rules and the Articles of Association, thus effectively controlled its exposure to various operating risks.

Performance and violations of the Directors and other senior management members

The Supervisory Committee exercised supervision over work performance of the Board and senior management of the Company.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company have conscientiously and diligently performed their duties in compliance with the resolutions of the general meetings, and none of their acts would prejudice the interests of our Group or the Shareholders. No violation of any laws or regulations or Articles of Association or any act which is adverse to the interests of our Group or the Shareholders has been found in the performance of the Directors and senior management of the Company during the year.

Looking forward, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the Shareholders.

Hong Lijun
Chairwoman of the Supervisory Committee

26 March 2021

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board and the management of the Company has adopted the Code Provisions of the CG Code set out in Appendix 14 to the Listing Rules and reviewed its corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the nomination committee (the "**Nomination Committee**") (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs.

As of 31 December 2020, the Board comprised four executive Directors, namely Mr. Zhou Yongwei, Mr. Wu Zhirui, Mr. Yan Zhijiang and Ms. Liu Aiqin, two non-executive Directors, namely, Mr. Jiang Haiying and Mr. Cai Rongjun and three independent non-executive Directors, namely, Mr. Zhang Lihe, Mr. Lin Jianguo and Mr. Sun Leland Li Hsun.

Their biographical details are set out in the section headed "Directors, Supervisors and Senior Management" of this annual report. A list of the Directors identifying their roles and functions and whether they are independent non-executive Directors is available on the websites of the Stock Exchange and the Company.

There is no financial, business, family or other material or relevant relationships among members of the Board, Supervisors and members of the senior management of the Company.

DUTIES OF THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital and for the issue of bonds; preparing plans for merger, division or dissolution of the Company; hiring or dismissing the general manager, the secretary of the Board, the vice general manager and other senior management, and deciding their remuneration; preparing the plan to amend the Articles of Association and exercising other power, functions and duties as conferred by the Articles of Association.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of our Group, and the training and continuous professional development of Directors and senior management of the Company. The Board also reviews the disclosures in the Company's Corporate Governance Report to ensure compliance.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Company's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

All Board members have separate and independent access to the Company's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at our Group's expense upon their request.

The major duties of the senior management are formulating and implementing our corporate governance measures, risk management, financial management and business management policies and supervising and participating daily operations of the Company.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

During the year, the Board held 4 meetings to develop, review and monitor the policies and practices on corporate governance and legal and regulatory compliance of the Company. The senior management supervised the daily operations of the Company, identified and reported the potential risks to the Board.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of our Group. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of our Group and that he is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements.

The Company's Hong Kong legal advisor provided the training materials in relation to the rule requirements of notifiable transactions under Chapter 14 of the Listing Rules to ensure compliance and enhance Directors' awareness of good corporate governance practices in December 2020.

All Directors have participated in continuous professional development and provided a record of training they received for the year ended 31 December 2020.

A summary of training received by the Directors for the year ended 31 December 2020 is as follows:

Name of Directors	Types of Training
Executive Directors	
Zhou Yongwei	A
Wu Zhirui	A
Yan Zhijiang	A, B
Liu Aiqin	A
Non-executive Directors	
Jiang Haiying	A
Cai Rongjun	A
Independent non-executive Directors	
Zhang Lihe	A
Lin Jianguo	A
Sun Leland Li Hsun	A

Notes:

A: Reading materials
B: Attending seminars and/or conferences and/or forums

CHAIRMAN AND EXECUTIVE OFFICER

Mr. Wu Zhirui is the Chairman responsible for planning our Group's strategies, developing the overall business and managing our Group, providing leadership for the Board, ensuring that the Board works effectively and act in the best interest of our Group and all Shareholders. The Chairman is also responsible for ensuring good corporate governance practices.

Mr. Yan Zhijiang, as the general manager of the Company, is in charge of formulating and implementing our corporate strategies, overseeing our overall business development, implementing operation plans and participating in the day-to-day management.

DIRECTORS' INSURANCE

Our Group has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company. They serve actively on the Board and Board Committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent under these independence criteria and are capable of effectively exercising independent judgement.

BOARD COMMITTEES

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are respectively available on the websites of the Stock Exchange and the Company.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Audit Committee consists of three members, namely Mr. Zhang Lihe (independent non-executive Director), Mr. Lin Jianguo (independent non-executive Director) and Mr. Cai Rongjun (non-executive Director). Mr. Zhang Lihe currently serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review financial information and supervise our financial reporting process, risk management and internal control systems, nominate and monitor external auditors and to provide advice and comments to the Board.

The Audit Committee held 2 meetings during the year ended 31 December 2020. The Audit Committee has: (i) reviewed the financial statements and results of the Company for the year ended 31 December 2019 and interim financial statements and results of the Company for the six months ended 30 June 2020, including the accounting principles and practices adopted by the Company, report prepared by the external auditor covering major findings in the course of the audit; (ii) reviewed the policies and practices on corporate governance and the effectiveness of the Audit Committee, selection and appointment of the external auditors and the Company's risk management and internal control procedures and systems; and (iii) reviewed the terms of reference of the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Lin Jianguo (independent non-executive Director), Mr. Sun Leland Li Hsun (independent non-executive Director) and Mr. Wu Zhirui (executive Director). Mr. Lin Jianguo currently serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to evaluate the performance, make recommendations on the remuneration of our senior management, executive Directors and non-executive Directors to members of the Board, review and approve compensation payable to executive Directors and management for any loss or termination of office, and also review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct.

The major objective of our remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to review and determine the level of remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, the Remuneration Committee will make reference to, among other things, the level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors, Supervisors and senior management and the performance of our Group. No Director takes part in any discussion on his/her own remuneration.

The Remuneration Committee held 1 meeting during the year ended 31 December 2020. The Remuneration Committee has: (i) reviewed the remuneration policy and structure relating to the Directors, Supervisors and senior management of the Company and (ii) the effectiveness of the Remuneration Committee.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Zhou Yongwei (executive Director), Mr. Sun Leland Li Hsun (independent non-executive Director) and Mr. Zhang Lihe (independent non-executive Director). Mr. Zhou Yongwei currently serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to assess the independence of independent non-executive Directors, make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management and recommend to the Board on the appointment or re-appointment of Directors.

The Nomination Committee held 1 meeting during the year ended 31 December 2020. The Nomination Committee has: (i) reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors; and (ii) the effectiveness of the Nomination Committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code.

During the Reporting Period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and the disclosures in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND SUPERVISORS

The attendance record of each of (i) the Directors at the meetings of the Board and Board Committee; and (ii) the Supervisors at the meeting of Supervisory Committee held during the year ended 31 December 2020 is set out in the table below. The Directors did not authorise any alternate Director to attend Board or Board Committee meetings.

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Mr. Wu Zhirui *(Chairman)*	4/4	N/A	1/1	N/A
Mr. Zhou Yongwei	4/4	1/1	N/A	N/A
Mr. Yan Zhijiang	4/4	N/A	N/A	N/A
Ms. Liu Aiqin	4/4	N/A	N/A	N/A
Mr. Jiang Haiying	4/4	N/A	N/A	N/A
Mr. Cai Rongjun	4/4	N/A	N/A	2/2
Mr. Zhang Lihe	4/4	1/1	N/A	2/2
Mr. Lin Jianguo	4/4	N/A	1/1	2/2
Mr. Sun Leland Li Hsun	4/4	1/1	1/1	N/A

	Attendance/Number of Meetings	
Name of Supervisors	**26 March 2020**	**25 August 2020**
Ms. Hong Lijun *(Chairwoman)*	1/1	1/1
Ms. Ruan Cen	1/1	1/1
Mr. Li Jiancheng	1/1	1/1
Mr. Chen Jinzhu	1/1	1/1
Mr. Wu Lindi	1/1	1/1

BOARD PROCEEDINGS

Pursuant to the Articles of Association, the Board is required to hold at least two Board meetings each year, to be convened and hosted by the Chairman. In compliance with Code Provision A.1.3 of the CG Code, a notice of at least fourteen days shall be dispatched for a regular Board meeting. The notice shall state the time and venue by which the Board meeting will be convened.

The quorum for a Board meeting is the presence of more than half of the total number of Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the documents and records of Board meetings.

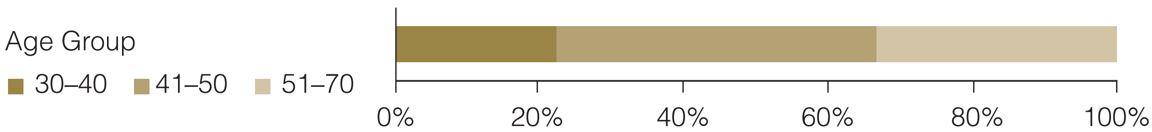
During the year ended 31 December 2020, there were 4 Board meetings held and all Directors attended the meetings that they were required to attend.

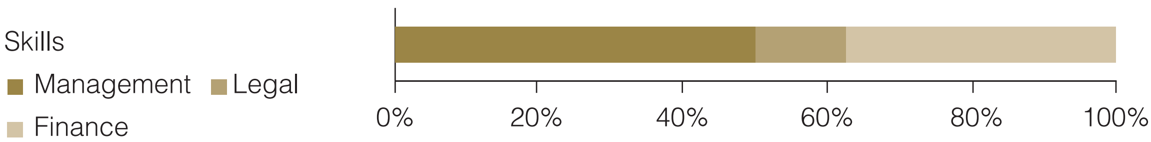
GENERAL MEETINGS

During the year ended 31 December 2020, the Company convened two general meetings held on 26 March 2020 and 12 June 2020, respectively. All Directors attended the meetings.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 6 September 2016 in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard to the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and relationship with other Board members and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates could bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.





SUPERVISORY COMMITTEE

The Supervisory Committee consists of five Supervisors, comprising one representative of Shareholders, namely Mr. Li Jiancheng; two representatives of employees, namely Ms. Hong Lijun (the chairwoman of the Supervisory Committee) and Ms. Ruan Cen; and two independent Supervisors, namely Mr. Chen Jinzhu and Mr. Wu Lindi. Except for the employee representative Supervisors elected by employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment.

The functions and duties of the Supervisory Committee include, but not limited to: reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine our Group's financial information; monitoring the financial activities of our Group, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to our Group's interests; and exercising other rights given to them under the Articles of Association.

NOMINATION POLICY

In order to nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election at general meetings, the secretary of the Nomination Committee shall call a meeting with the list and information of the candidates. For proposing candidates to stand for election at a general meeting, a circular which contains the names, brief biographies, independence, proposed remuneration and any other information as required pursuant to the applicable laws and regulations, will be sent to the Shareholders. Other than the nomination recommended by the Board for election, the Shareholders can serve a notice in writing of the intention to propose that certain person for election as a Director. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference.

- Reputation;
- Qualification, accomplishment and experience in financial services industry;
- Commitment in performing the duties as a Director and a member of the Board committees (if applicable); and
- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contributions can be brought to the Board.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company and each service contract is for a term of three years. Directors and Supervisors shall be elected by our Shareholders at the Shareholders' general meeting with a term of three years.

Save as disclosed above, the Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors and/or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

UPDATES ON DIRECTORS' AND SUPERVISORS INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and Supervisors since the Company's last published interim report up to the date of this annual report are as below:

- Mr. Zhou Yongwei resigned as the chairman of the Board on 18 January 2021.
- Mr. Wu Zhirui resigned as the general manager of the Company and was appointed as the chairman of the Board on 18 January 2021.
- Mr. Yan Zhijiang was appointed as the general manager of the Company on 18 January 2021.

For more details, please refer to the announcement on the change of Chairman and general manager of the Company dated 18 January 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 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 Directors and Supervisors, they have confirmed fully compliance with the relevant standards stipulated in the Model Code during the Reporting Period.

JOINT COMPANY SECRETARIES

Mr. Yan Zhijiang, an executive Director of the Company, is one of the joint company secretaries. Ms. Ng Ka Man, a manager of the Listing Department of TMF Hong Kong Limited, the external service provider, is our joint company secretary. Mr. Yan Zhijiang is her primary contact person of the Company. Both Mr. Yan and Ms. Ng, as the joint company secretaries, have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

RESPONSIBILITIES OF FINANCIAL REPORTING

The Board acknowledges its responsibility to prepare our Group's financial statements which give a true and fair view of our Group's state of affairs, results and cash flows for the year in accordance with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Companies Ordinance. Our Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. To the best knowledge of the Directors, there are no material uncertainties relating to events or conditions that may affect the business of our Group or cast doubts on its ability to continue as a going concern.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" of this annual report.

EXTERNAL AUDITOR

Ernst & Young has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of these audit and non-audit services performed by Ernst & Young and considered that such services have no adverse effect on the independence of the external auditor.

During the year ended 31 December 2020, our Group paid Ernst & Young and its member firms a total fee of RMB1,450,000 (tax inclusive) for audit services and RMB50,000 (tax inclusive) for non-audit service. Our Group's non-audit service fee was environmental, social and governance (the "**ESG**") report related service fee.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Reporting Period.

COMMUNICATION WITH SHAREHOLDERS

The Company aims to, via its corporate governance structure, provide all Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. The Company convenes the Shareholders' general meetings in compliance with the relevant rules and Shareholders' communication policy which was adopted by the Company on 25 January 2016 and highly values the opinions, suggestions and concerns of the Shareholders. Directors, Supervisors and senior management of the Company will attend the meetings.

SHAREHOLDERS' RIGHTS

Under the Articles of Association, the Shareholders enjoy, among others, the following rights:

- **Participation at general meetings**

  The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings.

- **Enquires and proposals to the Board**

  The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the company secretary of the Company at its principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

- **Convening extraordinary general meetings**

  Pursuant to the Articles of Association, the Board shall convene an extraordinary general meeting within two months when Shareholder(s) individually or collectively holding 10% or more of the outstanding Shares of the Company carrying voting rights request so in writing. The Board shall convene an extraordinary general meeting or class Shareholders' meeting as soon as practicable upon receipt of the aforesaid written request. The aforesaid number of Shareholding shall be calculated as of the date of the submission of the written request by the Shareholder(s). A general meeting shall be convened in accordance with the Articles of Association.

- **Procedures for putting forward proposals at a general meeting**

  In overseeing and monitoring the business operation of the Company, the Shareholders have the right to put forward proposals and raise inquiries. Shareholders holding 5% or more of the Company's voting shares have the right to put up ad hoc proposals in writing to the Company, and the Company shall include such ad hoc proposals into the agenda for such general meeting if they are matters falling within the functions and powers of general meeting.

CONSTITUTIONAL DOCUMENTS

The Articles of Association were adopted with effect from the Listing Date and were amended on 19 April 2017, 22 August 2017, 25 June 2019 and 12 May 2020 pursuant to the resolutions of the Shareholders passed at the general meetings, respectively.

The Articles of Association are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

During the year ended 31 December 2020, the Company has maintained corporate transparency and communications with the Shareholders and the investment community through timely distribution of announcements and/or other publications and well-organized meetings and visits to enhance understanding by investors. The Company's website provides an effective communication platform to keep the market abreast of the latest developments.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 December 2020, the Board complied with the Code Provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Company. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In addition to the Board's oversight responsibilities, the Company has developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects (if any). Senior management of the Company is responsible for the annual risk reporting process. Manager of the risk management department meets with members of the senior management to review and assess risks and discuss solutions to address material internal control defects (if any), including any changes relevant to a given year. The risk assessment is reviewed by certain members of the senior management of the Company. Senior management of the Company monitors risks and takes measures to mitigate risks in day-to-day operations and presents the results of risk assessment to the Audit Committee and the Board for their review.

Credit risk is the most significant risk inherent in our business. We have developed a credit risk management system in accordance with the type and size of our loans, the types of our customers as well as the local legal and economic environment. Our risk management procedures mainly consist of due diligence reviews on customers, risk assessments, multilevel assessments and approval processes, post-loan grant reviews and collections, with varying levels of scrutiny generally according to the amount and type of loans granted. The Company has adopted the following measures:

- establishing a sound corporate governance structure with clearly defined duties of the Board, the Supervisory Committee and senior management;

- establishing a loan assessment committee under the Board and collective decision making procedures to mitigate the risk relating to personal judgment or prejudice of a single decision maker in a loan approval procedure;

- establishing a vertical risk management system to ensure the independence of our risk management;

- establishing and continuously improving operational procedures and internal control system, and utilizing information technology system to control the implementation of each procedure. In particular, we have adopted and have strictly implemented measures to prevent and detect potential employee frauds, such as dual investigation and due diligence process, the policy of separating the investigation and evaluation of loan applications or risk assessment process from the approval of loans, multilevel assessments and approval procedure, on-site visits and inspection, and interviews conducted by senior managers with the owner or management of the customers;

- implementing a performance-based compensation scheme for employees;

- establishing procedures for business manager in charge to rotate among revolving loans projects annually; and

- providing employees with professional training, especially to those who are responsible for assessment and approval process.

The Company is fully aware of its obligations under Chapter 13 of the Listing Rules and the SFO and the overriding principle that inside information of the Company should be announced in a timely manner. Stringent internal structures have been designed for the handling and dissemination of inside information. The Company reviews from time to time its internal policies and guidelines on inside information or potentially price sensitive information with reference to its own and industry circumstances and the Guide on Disclosure of Inside Information issued by the SFO. The Company's policy contains a strict prohibition on unauthorised use of confidential or inside information and has established and implemented procedures for responding to external enquiries about the Company's affairs.

During the year ended 31 December 2020, the Company followed the rules and procedures on regulating the disciplines and actions of all employees in external media communications and designated key spokespersons of the Company in all external media communications. The purpose of streamlining the communications of the Company with the media is to regulate all media communication activities, protect the interests of the Company and keep inside information strictly confidential prior to its disclosure. The Board has overseen the Group's risk management and internal control systems on an ongoing basis. The Board has reviewed the risk management and internal control systems of the Group annually. The systems are considered to be effective and adequate in reducing the exposure to the carious quantifiable risks inherent in our operations. For details of the key risks and uncertainties facing the Company, please refer to sub-section headed "Key Risk Factors" set out in the section of "Report of the Directors" of this annual report. The Company does not have in place an independent internal audit function as the Board is of the view that the appointment is not imminent under current circumstances, taking into account the current structure and scope of the Company's operations.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

This report, as the Company's fifth ESG report, objectively introduces our Group's information of 2020 in three major sectors (including environment, social and governance).

Reporting period

ESG Report is issued once a year. Unless otherwise stated, information included in this report is collected within the period from 1 January 2020 to 31 December 2020, which is consistent with the Company's fiscal year.

Reporting scope

Unless otherwise stated, this report covers information of the Company and its subsidiaries.

Reporting references

- Appendix 27 *Environmental, Social and Governance Reporting Guide of the Listing Rules*
- Global Reporting Initiative Standard for Sustainable Development Report

Reporting language

This report is prepared in Traditional Chinese version and English version for your reference.

Reporting principles

- Materiality: this report, based on stakeholders' research and data analysis, identifies the important social responsibility issues that influence our Group's sustainable development, as well as gives replies (see page 65 of the report).
- Quantitative: this report has disclosed the quantitative KPIs for the Group's social responsibilities (see page 71 of the report).
- Balance: this report content mirrors the objective facts, as well as discloses positive and negative indicators.
- Consistency: this report ensures the consistency of indicators used for different reporting periods. If one key performance indicator changes, this report will make explanations on the changed indicator.

Data description

Data in this report derives from our Group's internal system.

Approval by the Board Committee (or the Board)

After being reviewed by the management, this report has been approved of by the Board on 26 March 2021.

I. ESG MANAGEMENT

ESG policy and management

The Company actively fulfill a corporate citizen's responsibilities, integrate ESG management into our business and daily operation and regularly reviewing our ESG performance. We set up the ESG management team supervised by the Board to effectively carry out ESG management and to protect the substantial interests of investors, employees and other stakeholders.

Our ESG management structure:

Responsible for assessing and determining ESG-related risks; ensure formulation of appropriate and effective ESG risk management and internal control system; approve and examine ESG policies and ESG report.	**Board**
Strengthen ESG risk management and internal control measures; offer Directions to ESG project execution team; examine and approve ESG policies; review ESG report and confirm the correctness of performance indicator data.	**Board Office**
Urge all departments to implement all ESG policies; report ESG project's implementation to the Board office; compile ESG performance indicator data; prepare ESG report.	**Executive Team**

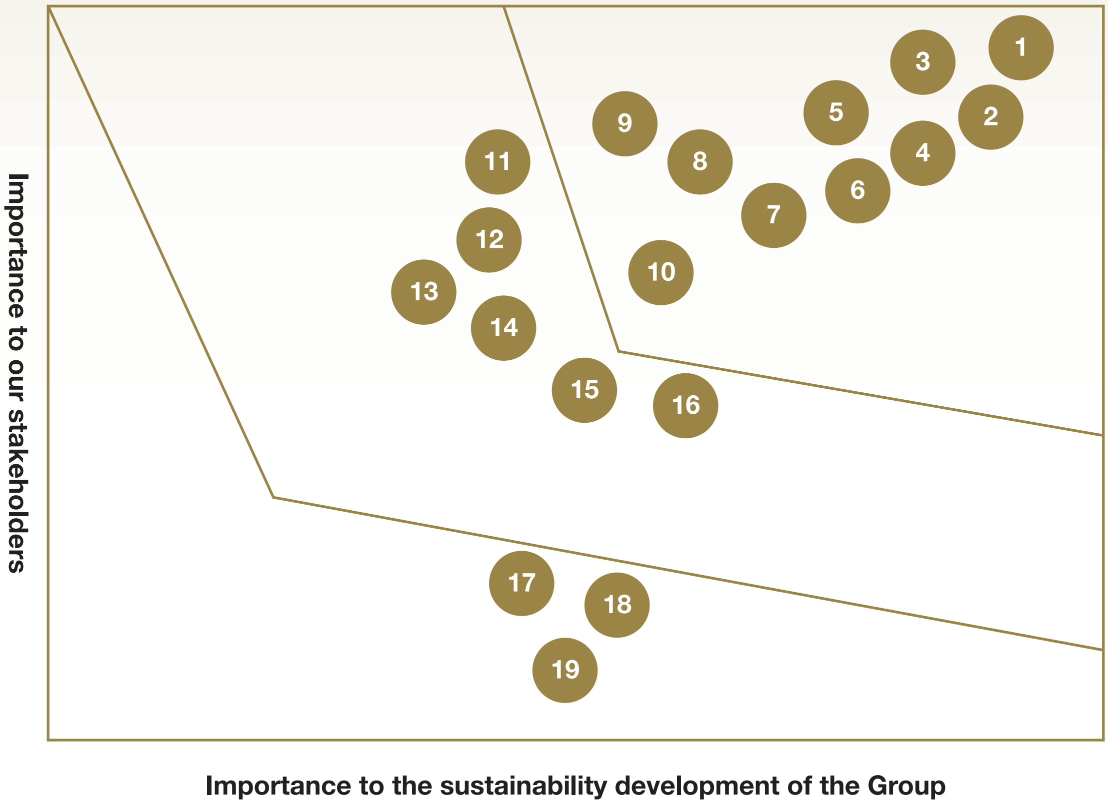
Communication with stakeholders

The company sets great store by the communication with stakeholders and establishes the regular mechanism of communication with all stakeholders. Through smooth and regular communication, we further learn about appeals, opinions, and suggestions from all stakeholders and integrate the issues of concern into the corporate operation for Company's sustainable development. Stakeholders we have identified include:

Stakeholders	Issues of concern	Communication and feedback
Government	• Promote economic development • Against embezzlement and corruption	• Grant loans to the real economy • Partake in government surveys and meetings
Regulatory body	• Compliance management • Risk management	• Disclose information at regular intervals • Convene industry conferences
Shareholder/Investor	• Corporate governance • Business development	• Convene annual general meetings • Convene investors' meetings
Customer	• Customer rights protection • Product and service quality • Information security	• Improvement of customer complaints handling mechanism • Conduct customer satisfaction questionnaire survey • Organize customer risk management education
Employee	• Rights and benefits • Promotion and development • Education and training • Health and safety	• Convene employee representatives' congress • Assess performance • Organize employee trainings • Provide employee insurance, and pandemic prevention supplies
Supplier	• Responsible procurement	• Make procurement policies and negotiate for cooperation
Community	• Responding to the COVID-19	• Support resumption of corporate operation

Materiality matrix

Through peer benchmarking and interviews, we identified the following 10 highly important ESG issues and 6 moderately important issues as stated in this ESG report. The materiality matrix is shown as below:



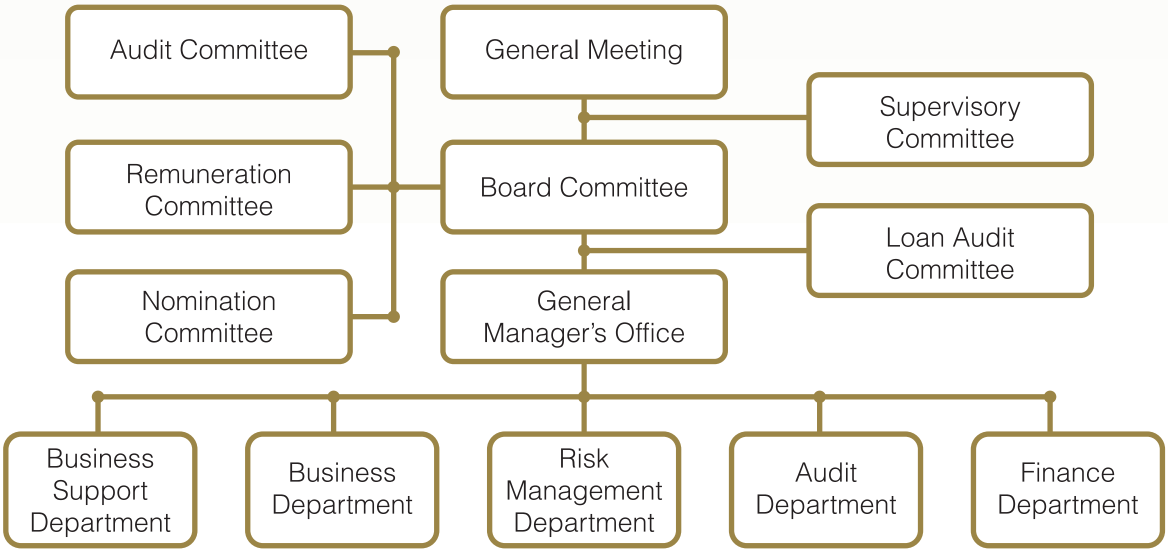
1	Compliance management
2	Risk management
3	Corporate strategy and development
4	Corporate culture
5	Promote local economic development
6	Anti-corruption
7	Protection to rights and interests of consumers
8	Customer satisfaction
9	Data security
10	Responding to the COVID-19
11	Service innovation
12	Employee development
13	Employee training
14	Employee remuneration and benefits
15	Health and safety
16	Green office
17	Supply chain management
18	Public welfare and charity
19	Community participation

II. COMPLIANCE MANAGEMENT

Corporate governance

The Company strictly complies with the laws and regulations, including the Listing Rules and the *Company Law of the PRC* (中華人民共和國公司法). We guarantee interests of all stakeholders through constant improvement of corporate governance and internal control practices based on our sound governance structure.

The Company's governance structure is as below:

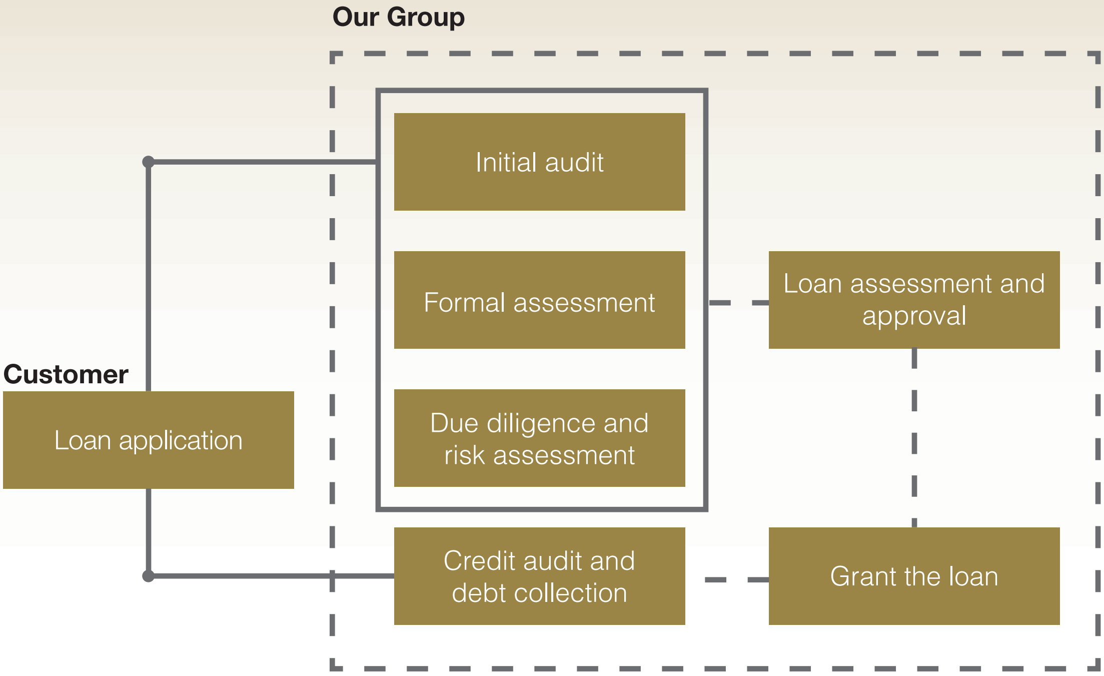


Risk management

Loan risk management

Loan risk is one of the major risks to the microfinance companies. As such, we always take the loan risk control as our core risk control work. We keep on improving our loan risk management measures in order to minimize the risk probability.

By setting up orderly internal credit risk management and control systems, we can effectively identify, manage and minimize the risk of every loan. When approving a loan, we strictly implement the following risk management and control procedure.



In 2020, we further optimize loan assessment and approval procedure, we intensify promotion of mortgage and pledge credit products rather than secured credit products to reduce our loan risks.

Compliance risk management

On the basis of steady and healthy compliance risk management system, we keep on improving the compliance governance, fulfilling the trustworthy and responsible corporate value in a down-to-earth manner and strictly observing requirements of national and local laws & regulations, such as *Guiding Opinions of the People's Bank of China on the Pilot Operation of Microfinance Companies* (中國人民銀行關於小額貸款公司試點的指導意見), *Interim Measures of Fujian Province for the Administration of Microfinance Companies* (福建省小額貸款公司暫行管理辦法), *Pilot Measures of Cross-county Operation of Microfinance in Quanzhou* (泉州市小額貸款公司跨縣域經營試點實施方案) and *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies promulgated by the government of Quanzhou City* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見). By referring to the aforesaid laws and regulations, we instituted the Articles of Association.

The compliance structure established by our Group is led by the Board Committee and Supervisory Committee. It is overseen by the senior management and managed by the general manager and risk management department of the Company and coordinated all internal control departments. The Board, Supervisory Committee and senior management are responsible for the effectiveness of the compliance structure. All of our employees are required to observe the regulations, sign a compliance commitment and follow the business code of conduct strictly.

For more information on the risk control, please refer to the sub-section headed "Risk Management and Internal Control" in the Corporate Governance Report of this annual report.

Anti-financial crime

Anti-fraud and anti-corruption

Our Group regards business ethics as the primary condition for long-term business operation. Our Group is constantly attaching great importance of establishing an honest and faithful corporate culture and working style. By setting up reporting mechanism with multiple levels and multiple channels against fraud and corruption, our Group is in an effort to create an impartial, transparent, honest, and healthy operating environment.

With robust anti-fraud and anti-corruption management, no incident regarding conflict of interest, fraud or bribery happened in 2020.

We put in place all-around whistleblowing investigation procedure to handle complaints:

Collection and Categorization

Office under the Audit Committee is responsible for collecting and classifying complaints and tip-offs and submitting them to the Audit Committee

Verdict and punishment

Audit Committee or the Board is responsible for imposing disciplinary sanction according to severity of the reported cases.

Report to the judicial authority

The Board will report the suspected crime cases to the judicial authority.

In 2020, our Group continued organizing anti-corruption training to raise the moral consciousness of the employees. The fraud and corruption behavior is explained to all employees and all reports are anonymous to protect reporters. In addition, our Group, by selecting the customers at random, invited customers to take part in the integrity survey questionnaire to survey the employees' clean-fingered behaviors.

Anti-money laundering

According to the *Anti-Money Laundering Law of the PRC* (中華人民共和國反洗錢法), *Administrative Measures for the Reporting of Large-value and Suspicious Transactions by Financial Institutions* (金融機構大額交易和可疑交易報告管理方法), and regulations issued by China Banking Regulatory Commission, our Group instituted the internal control policies, such as Administrative Measure for Anti-money Laundering Work (反洗錢工作管理辦法), based on which the Group kept on improving the anti-money laundering procedure and work. In terms of employee and customer conduct norms, we require all employees and customers to sign integrity commitments and anti-money laundering commitments to improve our management level. Through the anti-money laundering training, we further improved the employees' anti-money laundering awareness, knowledge and skills, and further enhanced the Company's strength in anti-money laundering management. In 2020, our risk control staff and business staff attended a financial risk prevention seminar organized by the Quanzhou Financial Supervision Bureau (泉州市地方金融監督管理局).

III. CUSTOMER AND SERVICE

Customer Relationship management

Sound relationship with customers is viewed as a cornerstone for the corporate business development. In view of this, our Group clings to service and innovation consciousness and keeps on optimizing services to meet customer needs while protecting the customer rights in an all-around manner. In 2020, we served 260 customers in total, and no customer complaint was received.

Our Group strictly complies with *the Law of the PRC on the Protection of Consumer Rights and Interests* (中華人民共和國消費者權益保護法) and *the Anti-unfair Competition Law of the PRC* (中華人民共和國反不正當競爭法) and other applicable laws and regulations. We value communication with every customer and ensure timely collection and disposal of customer opinions and complaints. Each complaint is required to be answered within 24 hours and resolved as soon as possible. No customer complaint was received during the Reporting Period benefiting from our sound customer relationship management.

In 2020, we carried out risk management education for our customers to improve their risk consciousness and risk prevention ability. As a result, we won the trust from our customers.

Customer privacy

In the Internet age, customer privacy protection becomes increasingly important and difficult. Due to this, our Group sets great store by the customer privacy and personal information protection and strictly complies with *the Law of the PRC on the Protection of Consumer Rights and Interests* (中華人民共和國消費者權益保護法) to ensure the legitimate rights and interests of the customers. All of our employees are asked to act in accordance with the confidentiality requirements to protect customer information. Any illegally disclosing, spying, and stealing of customer information are strictly prohibited. The following protective measures are adopted in 2020 to further improve the work of protection to the customer privacy.

Improve basic management

- Store and manage customer information separately
- Institute confidentiality agreement and require responsible employee to sign the agreement

Refine on retrieving management

- Strictly carry out the examination & approval system when retrieving customer archives
- Project manager has the access to his/her responsible project only

Enhance monitoring work

- Conduct irregular spot check to customer data to test the effectiveness

Service innovation

Innovation is the force of business development. On the basis of safeguarding the customers' rights and interests, our Group attracts more customers with better products. In 2020, our Group launched a new business system which helps reduce repetitive work via data analysis and provides references for the leadership in making decisions. As a result, the operating efficiency and service quality are further improved. This business system is used mainly in supporting corporate loan and housing finance and it provides 22 functions and 23 functions for the two business sectors.

IV. GREEN OFFICE

Green operation

By upholding the sustainable development notion, our Group actively fulfills its environmental responsibilities in as a corporate citizen while strictly complying with *the Environmental Protection Law of the PRC* (中華人民共和國環境保護法), *the Energy Conservation Law of the PRC* (中華人民共和國節約能源法) and other relevant laws and regulations.

Through the increase in energy utilization efficiency and conservation of energy in our daily operation, our Group copes with the influence arising from climate change, as well as alleviates the impact of its corporate activities on the environment.

Due to its business nature, our Group does not have significant generation of hazardous waste, non-hazardous waste, packaging materials, as well as any actual or potential significant negative impacts on the environment and natural resources.

Increase resource utilization efficiency

- Set temperature limit for air conditioners
- Avoid unnecessary electricity and water use
- Ensure no energy and water wastage outside working hours

Reduce solid waste generation

- Launch garbage classification campaign and reduce unnesessary garbage
- Promote paperless office and print on both sides
- Reuse draft paper
- Collect waste paper separately for easier recycling

Reduce air emission

- Establish vehicle management system to standardize vehicle use
- Phase out old vehicles and conduct maintenance regularly
- Encourage the use of public transportation

Summary of environmental KPIs

Resource consumption category	Unit	2019 Total	2019 Per capita	2020 Total	2020 Per capita
Electricity	Kilowatt-hour	94,376	1,110.31	85,986	1,282.92
Gasoline					
92#	Liter	7,351	86.48	7,529.93	112.38
95#	Liter	10,743	126.39	9,765.58	1,145.75
98#	Liter	279	3.28	14.6	0.21
Total	Liter	18,373	216.15	17,310.11	258.36
Paper	Kilogram	1,542	18.14	1,687	25.17

Emissions category	Unit	2019 Total	2019 Per capita	2020 Total	2020 Per capita
Greenhouse gas					
Direct greenhouse gas emissions from vehicles (CO_2 equivalent)	Metric ton	49.75	0.59	37.59	0.56
Indirect greenhouse gas emissions of electricity consumption (CO_2 equivalent)	Metric ton	66.39	0.78	69.75	1.04
Total	Metric ton	116.14	1.37	107.34	1.60

Responsible procurement

We strictly observe the *Law of the PRC on Tenders and Bids* (中華人民共和國招標投標法). Not only does our Group put in place sustainable development notion in its own operation, but also sifts out the supplier according to its environmental, social and governance performance to ensure the suppliers involves the ESG principle in their business operation and actively carries out the principle.

Our suppliers mainly provide sources of funds, office supplies and decoration services. Our Group purchases and leases some office equipment such as copier and scanner via online and offline channels, and purchases all office papers through online channels. In addition, our Group strictly controls the purchase cost and selects the best supplier through comparison. In 2020, no negative impacts were found due to the suppliers' misconducts in social responsibilities like business ethnics, environmental protection and labor measures, etc.

V. EMPLOYEE

Employment policy

Our Group clings to the people-oriented notion and regards every employee as its greatest asset. Therefore, we attach great importance to the recruitment and growth of talents.

Our Group strictly complies with the relevant laws and regulations, such as the *Labor Law of the PRC* (中華人民共和國勞動法), the *Labor Contract Law of the PRC* (中華人民共和國勞動合同法), the *Law on Safeguarding Women's Interests and Rights of the PRC* (中華人民共和國婦女權益保障法), the *Special Provisions on the Labor Protection of Female Employees* (女職工勞動保護特別規定). Besides, we cling to a fair and equal employment concept, pay full attention to our candidates' business ability, personal qualities, development potential and value congruence and never discriminate against individuals for any reason, including their class, race, nationality, religion, age, gender, sexual orientation, political affiliation, marital status and other social identities. As of the end of the Reporting Period, we had 67 employees, and the employee turnover rate was 21.18% in 2020.

Meanwhile, we fully protect the legitimate rights and interests of every employee. We strictly prohibit illegal employment behaviors like employment of child labor, forced or compulsory labor and restrictions on employee freedom, etc. while strictly complying with the *Protection of Minors Law of the PRC* (中華人民共和國未成年人保護法) and *Provisions on the Prohibition of Using Child Labor* (禁止使用童工規定). During the Reporting Period, there was no child labor or forced labor.

Our Group continuously optimizes the human resources management system. Through fair recruitment, all-around training, clear promotion mechanism, handsome salary, welfare, holidays and other rights and interests. We bring our employees the favorable environment to thrive. In addition, we have set up a consummate mechanism to legally and fairly deal with the termination of labor contracts, termination of negotiation, dismissal and other procedures.

Remuneration and welfare

According to the type of work, position, capability, and performance, our Group has established a law-abiding, objective, and fair remuneration system, including basic salary, performance-based compensation and year-end bonus. Also, we provide the employees with corresponding welfare and additional paid annual leave based on the employee's onboarding time and length of service. We have established a comprehensive welfare system to reward our employees, which empowered our Group to continuously recruit talents. Our employee welfare includes:

Regular welfare

- Social insurance and fund: endowment insurance, unemployment insurance, work injury insurance, maternity insurance and medical insurance and Housing Provident Fund
- Accident insurance
- Employee leave: public and statutory holidays, annual leave, marital leave, maternity leave and paternity leave, nursing leave, bereavement leave, sick leave, excuse leave, work-related injury leave, etc.

Other welfare

- Medical exmination
- Meal allowance
- Hospital cash
- Baby bonus
- Financial aid
- Uniform
- Travel allowance and Team activity funding

Health and safety

Our Group attaches great importance to the employees' physical and mental health and safety. It strictly complies with relevant laws and regulations, such as the *Law of the PRC on Work Safety* (中華人民共和國安全生產法) and the *Labor Law of the PRC* (中華人民共和國勞動法) to provide the employees with health and welfare insurance cultivate a healthy and safe working environment. In 2020, we conducted a fire drill to popularize employees' safety knowledge and emergency response capabilities in the workplace. During the Reporting Period, there was no work-related death or injury at our workplace.

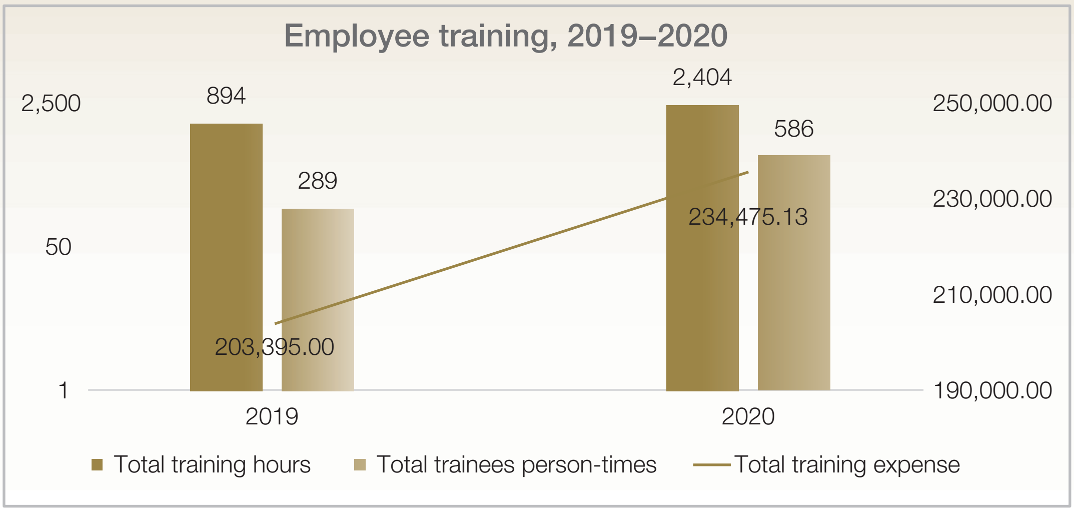
During the COVID-19 pandemic, we disinfected the workplace at regular intervals, purchased pandemic prevention materials and provided employee relatives with these materials in order to ensure the employees' safety and health to the maximum extent. Meanwhile, we provided the technical supports to enable our employees to work at home in a convenient and high-efficiency manner.

Training and career development

Rich trainings will benefit growth of employees and good employee quality serves as the foundation for the corporate development. By providing all-around trainings and building fair and impartial development platform, we grow together with employees for a better tomorrow.

For the Reporting Period, the employee training length totaled 2,404 hours, an increase of 168% from a year earlier; total trainees reached 586 person-times, an increase of 102% from a year earlier; total employee training expenses amounted to RMB234,475, an increase of 15% from a year earlier.

Employment training 2019–2020



	Training ratio (%) 2019	Training ratio (%) 2020	Average training hours 2019	Average training hours 2020
Classified by gender				
Male	95.74	91.84	10.91	32.13
Female	92.11	88.57	8.53	23.70
Classified by level				
Senior management	83.33	80	4.88	15
Intermediate management	100	100	9.92	36.88
General staff	93.75	94.83	10.45	28.69

Communication and care

Our Group earnestly hears opinions from employees and strengthens the employees' trust in and support to our Group while advocating the life-work balance. In 2020, our Group organized a lot of online activities and offline team building activities, which further enhanced the emotional connection between the employees and our Group.

In 2020, our Group organized the following activities:

- Organized birthday party for employees
- Showed solicitude for employees in hospital
- Organized "Care Female Employees" activity on the International Women's Day
- Organized online "Impression, Mother" Collection Activity with Prize during the Mother's Day
- Organized "Care Employees' Children" activity during the International Children's Day
- Organized "Employee Development Action"
- Organized team building activity for employees in Xiamen

Summary of employment KPIs, 2019-2020

	2019		2020	
	Male (person)	Female (person)	Male (person)	Female (person)
Classified by age				
Below 30 (including 30)	15	14	10	9
31-40	23	21	20	18
Above 41 (including 41)	9	3	6	4
Classified by level				
Senior management	6	2	5	3
Intermediate management	9	4	9	3
General staff	32	32	22	25
Classified by education level				
Below Bachelor degree	12	10	12	9
Bachelor degree	32	25	21	20
Master degree and above	3	3	3	2
Total	47	38	36	31
Gender ratio	55.29	44.71	53.73	46.27

Employee turnover rate, 2019-2020

	2019	2020
Total turnover rate	20%	21.18%
Classified by gender		
Male	29%	21.74%
Female	8%	20.51%
Classified by age		
Below 30 (including 30)	25%	34.48%
31–40	22%	13.64%
Above 41 (including 41)	0	16.67%

VI. COMMUNICATION PARTICIPATION

Support the real economy and local economic development

We commit to bring customers values by professional and high-efficiency services and business credit. We devote promote domestic economy's high-quality development and contribute to local economic development through microfinance service, particularly the microfinance service to SMEs. In 2020, various loans granted for supporting the real economy amounted to RMB112.6 million.

Payment of taxes according laws is a corporate citizen's basic responsibility and also an effective approach supporting local economic development. For the Reporting Period, our Group's total taxes amounted to RMB18.8 million, thus we won the "Significant Taxpayer" title awarded by the Government of Licheng District of Quanzhou City (福建省泉州市鯉城區政府), Fujian Province in 2020. Also, our Group was honored "Key Enterprise of Licheng District of Quanzhou City, Fujian Province, 2020".

Assist enterprises in fighting the pandemic

Outbreak of the COVID-19 greatly hampered the economic development. As a microfinance company that values the corporate social responsibilities, our Group worked with relevant enterprises to tide over difficulties. We assist the enterprises in work resumption via the business support in order to stabilize the economic development. In 2020, total loans granted to enterprises under the impact of the COVID-19 pandemic amounted to RMB76.0 million.

ANNEX A. ESG KPIS INDEX

Aspect A1: Emissions	A1.1	The types of emissions and respective emissions data.	Green operation Summary of environmental KPIs
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Summary of environmental KPIs
	A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Because of business nature, the amount of hazardous waste produced was insignificant, and it is not a material issue for our Group.
	A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Because of business nature, the amount of non-hazardous waste produced was insignificant, and it is not a material issue for our Group.
	A1.5	Description of emissions target (s) set and steps taken to achieve them.	Green operation
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target (s) set and steps taken to achieve them.	As explained in A1.3 and A1.4
Aspect A2: Use of Resources	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green operation Summary of environmental KPIs
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water consumption is limited, and it is not a material issue for our Group. Our Group's water is sourced from a municipal supply, and the quantity is limited.
	A2.3	Description of energy use efficiency target (s) set and steps taken to achieve them.	Summary of environmental KPIs
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target (s) set and steps taken to achieve them.	As stated in A2.2
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Because of business nature, the amount of packaging material used was insignificant, and it is not a material issue for our Group.
Aspect A3: The Environment and Natural Resources	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Because of business nature, A3.1 is not applicable to our Group.

Aspect A4: Climate Change	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Group aims to disclose relevant information in the future.
Aspect B1: Employment	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment policy Summary of employment KPIs
	B1.2	Employee turnover rate by gender, age group and geographical region.	Employment policy Summary of employment KPIs
Aspect B2: Health and Safety	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employment policy Health and safety During the Reporting Period, there was no work-related death at our workplace.
	B2.2	Lost days due to work injury.	During the Reporting Period, there was no work-related injury at our workplace.
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and safety
Aspect B3: Development and Training	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and career development Summary of employee training, 2019–2020
	B3.2	The average training hours completed per employee by gender and employee category.	Training and career development Summary of employee training, 2019–2020
Aspect B4: Labor Standards	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employment policy
	B4.2	Description of steps taken to eliminate such practices when discovered.	Employment policy
Aspect B5: Supply Chain Management	B5.1	Number of suppliers by geographical region.	Our Group aims to disclose the information in the future.
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Responsible procurement
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible procurement
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible procurement

Aspect B6: Product Responsibility	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Because of the business nature, B6.1 is not applicable to our Group.
	B6.2	Number of products and service related complaints received and how they are dealt with.	Customer relationship management
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Because of the business nature, B6.3 is not applicable to our Group.
	B6.4	Description of quality assurance process and recall procedures.	Because of the business nature, B6.4 is not applicable to our Group.
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer privacy
Aspect B7: Anti-corruption	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-fraud and anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-fraud and anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	Anti-fraud and anti-corruption
Aspect B8: Community Investment	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sport).	Community participation
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Community participation

ANNEX B. LIST OF MAIN LAWS AND REGULATIONS

Category	Main laws and regulations complied with
Compliance management	Company Law of the PRC (中華人民共和國公司法)
	Anti-Money Laundering Law of the PRC (中華人民共和國反洗錢法)
	Listing Rules (上市規則)
	Guiding Opinions on the Pilot Operation of Microfinance Companies promulgated by the People's Bank of China (中國人民銀行關於小額貸款公司試點的指導意見)
	Administrative Measures for the Reporting of Large-Value and Suspicious Transactions by Financial Institutions (金融機械大額交易和可疑交易報告管理辦法)
	Interim Measures of Fujian Province for the Administration of Microfinance Companies (福建省小額貸款公司暫行管理辦法)
	Pilot Measures of Cross-County Operation of Microfinance in Quanzhou (泉州市小額貸款公司跨縣域經營試點實施方案)
	Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies promulgated by the government of Quanzhou City (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見)
Customer and service	Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法)
	Law of PRC on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法)
Green operation	Environmental Protection Law of the PRC (中華人民共和國環境保護法)
	Energy Conservation Law of the PRC (中華人民共和國節約能源法)
	Prevention and Control of Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法)
Employee	Labor Law of the PRC (中華人民共和國勞動法)
	Labor Contract Law of the PRC (中華人民共和國勞動合同法)
	Law on Safeguarding Women's Interests and Rights of the PRC (中華人民共和國婦女權益保障法)
	Special Provisions on the Labor Protection of Female Employees (女職工勞動保護特別規定)
	Protection of Minors Law of the PRC (中華人民共和國未成年人保護法)
	Provisions on the Prohibition of Using Child Labor (禁止使用童工規定)

Independent Auditor's Report

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To the shareholders of Quanzhou Huixin Micro-credit Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Quanzhou Huixin Micro-credit Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 86 to 155, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for impairment of loans and accounts receivable	
HKFRS 9 *Financial Instruments* (hereinafter referred to as "**HKFRS 9**") requires that the impairment measurement for financial assets using the "expected credit loss model". The measurement of expected credit losses ("**ECLs**") requires the application of significant judgment and increases complexity which include the identification of exposures with a significant deterioration in credit quality, and the use of assumptions in the ECL model (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. As at 31 December 2020, the Group's loans and accounts receivable consisted of loans receivable and lease receivables, and accounted for 64% of the total assets of the Group. The determination of allowance for impairment of loans and accounts receivable is a key area of judgement. The disclosures relating to the loans and accounts receivable and allowance for impairment of loans and receivables are included in note 6 and note 17 to the consolidated financial statements.	We obtained an understanding of the controls over the approval, recording and monitoring of loans and accounts receivable and assessed such controls. We also assessed the effectiveness of key controls over the application of the impairment methodology, the governance for the ECL model, and inputs and assumptions used by the Group in calculating the ECLs. For the collectively assessed ECLs, we evaluated and tested the Group's ECL models, including the model input, model design, and model performance for significant portfolios. We evaluated the Group's criteria for assessing whether there has been a significant increase in credit risk so that allowances for loans and accounts receivable should be measured on a lifetime ECL basis. We also assessed whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the forward-looking information used to determine expected credit losses. For the allowance for impaired loans and receivables determined on an individual basis, we assessed the indicators and assumptions for impairment, the quantification of allowance for impairment including the forecasts of future cash flows, the valuation of underlying collateral and estimates of recoverable amounts. We also assessed the adequacy of the disclosures relating to loans and accounts receivable and allowance for impairment of loans and accounts receivable, which are included in note 6 and note 17 to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants

Hong Kong
26 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020
(Amounts expressed in RMB unless otherwise stated)

	Notes	2020	2019
Interest income	5	146,251,252	170,813,797
Interest expense	5	(2,705,872)	(9,052,708)
Interest income, net		143,545,380	161,761,089
Impairment losses on loans and accounts receivable, net	6	(69,124,865)	(37,828,797)
Operating and administrative expenses		(26,602,782)	(33,197,519)
Foreign exchange (loss)/gain, net		(350,124)	113,382
Net gains on financial assets	7	20,447,131	4,100,177
Other income and gains, net	8	2,875,099	2,459,878
Other expenses		(207)	(2,231,399)
Share of profit of an associate		—	2,974,056
PROFIT BEFORE TAX	9	70,789,632	98,150,867
Income tax expense	12	(16,908,893)	(23,618,773)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		53,880,739	74,532,094
Attributable to:			
Owners of the parent		41,096,184	64,421,947
Non-controlling interests		12,784,555	10,110,147
		53,880,739	74,532,094
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		0.06	0.09
Diluted		0.06	0.09

Consolidated Statement of Financial Position

31 December 2020
(Amounts expressed in RMB unless otherwise stated)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	15	31,876,542	36,118,840
Securities purchased under agreements to re-sell		3,800,000	29,900,000
Financial assets at fair value through profit or loss	16	362,839,515	118,278,528
Loans and accounts receivable	17	833,535,610	1,098,824,186
Property and equipment	18	8,522,484	920,820
Right-of-use assets	19	250,181	1,930,175
Goodwill	20	14,729,281	14,729,281
Other intangible assets	21	1,177,476	1,583,360
Deferred tax assets	22	10,763,785	3,182,693
Other assets	23	42,791,685	15,320,526
TOTAL ASSETS		1,310,286,559	1,320,788,409
LIABILITIES			
Interest-bearing bank borrowings	24	50,067,361	70,108,074
Lease liabilities	19	152,214	1,647,345
Income tax payable		3,974,827	7,440,617
Deferred tax liabilities	22	4,951,836	116,477
Other payables	25	21,149,792	12,610,106
TOTAL LIABILITIES		80,296,030	91,922,619
NET ASSETS		1,229,990,529	1,228,865,790
EQUITY			
Share capital	26	680,000,000	680,000,000
Reserves	27	145,756,111	143,154,528
Retained profits		261,738,838	257,244,237
Equity attributable to owners of the parent		1,087,494,949	1,080,398,765
Non-controlling interests		142,495,580	148,467,025
TOTAL EQUITY		1,229,990,529	1,228,865,790

Wu Zhirui
Director

Yan Zhijang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020
(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the parent							
		Reserves						
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2019	680,000,000	69,383,972	52,231,032	15,355,594	233,006,220	1,049,976,818	16,249,963	1,066,226,781
Net profit and total comprehensive income for the year	–	–	–	–	64,421,947	64,421,947	10,110,147	74,532,094
Appropriation to surplus reserve	–	–	5,263,257	–	(5,263,257)	–	–	–
Appropriation to general reserve	–	–	–	920,673	(920,673)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	122,465,293	122,465,293
Capital injection by a non-controlling Shareholder	–	–	–	–	–	–	20,000,000	20,000,000
Capital return to a non-controlling Shareholder	–	–	–	–	–	–	(20,000,000)	(20,000,000)
Distribution to Shareholders (Note 13)	–	–	–	–	(34,000,000)	(34,000,000)	(358,378)	(34,358,378)
Balance as at 31 December 2019	680,000,000	69,383,972	57,494,289	16,276,267	257,244,237	1,080,398,765	148,467,025	1,228,865,790
Balance as at 1 January 2020	680,000,000	69,383,972	57,494,289	16,276,267	257,244,237	1,080,398,765	148,467,025	1,228,865,790
Net profit and total comprehensive income for the year	–	–	–	–	41,096,184	41,096,184	12,784,555	53,880,739
Appropriation to surplus reserve	–	–	2,601,583	–	(2,601,583)	–	–	–
Distribution to Shareholders (Note 13)	–	–	–	–	(34,000,000)	(34,000,000)	(18,756,000)	(52,756,000)
Balance as at 31 December 2020	680,000,000	69,383,972	60,095,872	16,276,267	261,738,838	1,087,494,949	142,495,580	1,229,990,529

Consolidated Statement of Cash Flows

Year ended 31 December 2020
(Amounts expressed in RMB unless otherwise stated)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		70,789,632	98,150,867
Adjustments for:			
Share of profit of an associate		—	(2,974,056)
Depreciation of property and equipment		736,923	790,537
Depreciation of repossessed assets		673,292	296,791
Depreciation of right-of-use assets		1,738,111	1,826,685
COVID-19-related rent concessions from lessors		(101,533)	—
Amortisation of other intangible assets		1,591,732	1,451,662
Impairment of loans and accounts receivable	6	69,124,865	37,828,797
Impairment of goodwill		—	2,221,017
Accreted interest on impaired loans		(22,311,384)	(8,626,419)
Foreign exchange loss/(gain), net		350,124	(113,382)
Gains/(losses) on disposals of items of property and equipment		136,138	(21,559)
Interest expense	5	2,705,872	9,052,708
Increase in financial assets at fair value through profit or loss		(244,560,987)	(38,446,416)
Decrease/(increase) in securities purchased under agreements to re-sell		26,100,000	(29,900,000)
Decrease in loans and accounts receivable		218,331,097	103,204,559
(Increase)/decrease in other assets		(41,397,384)	512,621
Increase/(decrease) in other payables		8,868,766	(3,671,666)
Net cash flows from operating activities before tax		92,775,264	171,582,746
Income tax paid		(24,031,601)	(30,917,650)
Net cash flows from operating activities		68,743,663	140,665,096
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		(9,736,823)	(443,610)
Disposal of items of property and equipment		1,864,157	29,648
Acquisition of subsidiaries		—	12,503,825
Dividends received from an associate		—	7,185,000
Net cash flows (used in)/from investing activities		(7,872,666)	19,274,863
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		50,000,000	70,000,000
Repayment of bank borrowings		(70,000,000)	(200,000,000)
Interest paid		(2,720,167)	(9,120,483)
Principal portion of lease payments		(1,478,133)	(2,173,451)
Dividends paid	13	(34,000,000)	(34,000,000)
Dividends paid to non-controlling Shareholders		(18,756,000)	—
Capital injection by a non-controlling Shareholder		—	20,000,000
Capital return and distribution to a non-controlling Shareholder		—	(20,358,378)
Net cash flows used in financing activities	28	(76,954,300)	(175,652,312)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16,083,303)	(15,712,353)
Cash and cash equivalents at beginning of year		36,118,840	51,717,811
Effect of foreign exchange rate changes, net		(350,124)	113,382
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	19,685,413	36,118,840

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

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

During the year, the principal activity of the Company and its subsidiaries (collectively referred to as the "**Group**") was the provision of loans to small and medium enterprises ("**SMEs**"), microenterprises and entrepreneurial individuals, as well as automobile finance leasing, treasury operations and investment consulting services.

Information about subsidiaries

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

Name	Place of incorporation, and kind of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company Direct	Indirect	Principal activities and place of operation
Quanzhou Huixinxing Investment Co., Ltd.	Quanzhou, China Corporation	Renminbi ("**RMB**") 50,000,000	RMB50,000,000	100.0%	–	Investment advisory service, Quanzhou
Quanzhou Lianche Finance Leasing Co., Ltd. ("**Lianche**")	Quanzhou, China Corporation	United States dollars ("**USD**") 10,000,000	USD10,000,000	–	75.0%	Finance leasing, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd. ("**JJHX**")	Jinjiang, China Corporation	RMB200,000,000	RMB200,000,000	47.9%*	–	Provision of micro-credit, Jinjiang
Jinjiang Qiding Building Materials Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	–	100.0%	Wholesale of building materials, Jinjiang
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB 500,000	–	100.0%	Information technology advisory services, Jinjiang
Hong Kong Huixinhang Co., Limited	Hong Kong, China Corporation	Hong Kong dollars ("**HKD**") 10,000,000	–	–	100.0%	Investment advisory services, Hong Kong
Fujian Huichangfu Real Estate Agency Co., Ltd.	Jinjiang, China Corporation	RMB10,000,000	RMB500,000	–	100.0%	Estate brokerage services, Jinjiang
Xiamen Anshenghe Trading Co., Ltd.	Xiamen, China Corporation	RMB5,078,000	RMB5,078,000	–	100.0%	Wholesale, Xiamen
Jinjiang Qinyuan Investment Consulting Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	–	100.0%	Investment advisory services, Jinjiang

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. These financial statements are presented in RMB.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Changes in Accounting Policies and Disclosures

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered as business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.1 Changes in Accounting Policies and Disclosures (Continued)

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB101,533 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[2]

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] No mandatory effective date yet determined but available for adoption

[5] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

[6] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual *Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3.3 Summary of Significant Accounting Policies

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

(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 parent of the Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Property and equipment and depreciation (Continued)

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

Categories	Estimated useful life	Estimated residual rate	Annual depreciation rate
Buildings	20 years	5%	5%
Motor vehicles	4 years	5%	24%
Fixtures and furniture	3 to 10 years	0–5%	10% to 33%
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets	0%	Over the shorter period of the lease term and the useful life of the assets

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill) (Continued)

The estimated useful lives of intangible assets are as follows:

Category	Estimated useful life
Software	1 to 3 years

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

The Group shall measure ECLs of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECLs, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Securities purchased under agreements to re-sell

The Group enters into purchases of securities under agreements to re-sell substantially identical securities. The amounts advanced under these agreements are classified as financial assets measured at amortised cost, and reflected as assets in the statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e., the original effective interest rate.

Dividend income

Dividend income is recognised when the Shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Employee benefits

Employee retirement scheme

The employees of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The provision and contributions have been included in profit or loss upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the Shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi Yuan, which is the Group's functional currency. Foreign currency transactions recorded by the Group are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Repossessed assets

Repossessed assets are initially recognised at the lower of the fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans receivable together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are presented as other assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.4 Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on loans and accounts receivable

The Group's ECL calculations for loans and accounts receivable are outputs of internal models with a number of underlying assumptions regarding the choice of variable inputs. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probability of default ("**PD**") to the individual grades;
- The Group's criteria for assessing whether there has been a significant increase in credit risk;
- The segmentation of loans and accounts receivable when their ECL is assessed on a collective basis;
- The development of ECL models, including the various formulas and the choice of inputs; and
- The selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.4 Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group makes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in the respective entities' domiciles.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair values of financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates the fair value by using valuation techniques. These include the use of recent arm's length transactions, option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments. For the description of valuation techniques, please refer to note 35. Using different valuation techniques and parameter assumptions may lead to some differences of fair value estimations.

4. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) The micro-credit business provides credit facilities to SMEs, microenterprises and entrepreneurial individuals; and

(b) The finance lease business is primarily engaged in providing automobile leasing service for individuals.

During the year, management decided to cease the operations in finance leasing in response to the increasing credit risk, and therefore almost all of the Group's revenue was generated from the micro-credit business. And the Company's chief operating decision makers focus on the operating results of the Group as a whole. Accordingly, no segment analysis or information about the Group's products and services is presented.

(Amounts expressed in RMB unless otherwise stated)

4. SEGMENT REPORTING (Continued)

Geographical information

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

5. INTEREST INCOME

	2020	2019
Interest income on:		
Loans and accounts receivable	146,251,252	170,813,797
Interest expense on:		
Bank loans	(2,679,454)	(8,891,732)
Lease liabilities	(26,418)	(160,976)
Interest income, net	143,545,380	161,761,089

6. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLE

The table below shows the ECL charges on the financial instruments for the year recorded in profit or loss:

Year ended 31 December 2020	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	(855,261)	(3,497,734)	73,477,860	69,124,865
Total impairment loss	(855,261)	(3,497,734)	73,477,860	69,124,865

Year ended 31 December 2019	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	(10,473,528)	8,692,011	39,610,314	37,828,797
Total impairment loss	(10,473,528)	8,692,011	39,610,314	37,828,797

(Amounts expressed in RMB unless otherwise stated)

7. NET GAINS ON FINANCIAL ASSETS

	2020	2019
Dividend and other income	7,027,698	3,295,856
Net realised gains	3,087,404	209,516
Unrealised gains	10,332,029	594,805
Total	20,447,131	4,100,177

8. OTHER INCOME AND GAINS, NET

	2020	2019
Government grants	1,669,513	1,260,000
(Losses)/gains on disposals of items of property and equipment	(136,138)	21,559
Interest from bank deposits	177,895	151,774
Others	1,163,829	1,026,545
Total	2,875,099	2,459,878

9. PROFIT BEFORE TAX

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

	2020	2019
Depreciation and amortisation	4,740,058	4,365,675
Staff costs:		
Salaries, bonuses and allowances	11,999,135	13,650,209
Other social welfare	1,517,103	2,341,737
Impairment losses on loans and accounts receivable	69,124,865	37,828,797
Impairment losses on goodwill	—	2,221,017
Auditor's remuneration	1,367,925	1,366,934

(Amounts expressed in RMB unless otherwise stated)

10. DIRECTORS' AND SUPERVISORS' REMUNERATION

The Company did not have a chief executive at any time during the year. Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2020			
Name	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Zhou Yongwei	–	–	–	–
Wu Zhirui	–	945,826	37,443	983,269
Yan Zhijiang	–	533,100	38,451	571,551
Liu Aiqin	–	393,694	38,451	432,145
Non-executive Directors				
Cai Rongjun	–	–	–	–
Jiang Haiying	–	–	–	–
Independent Non-executive Directors				
Zhang Lihe	89,829	–	–	89,829
Sun Leland Li Hsun	89,829	–	–	89,829
Lin Jianguo	89,829	–	–	89,829
Supervisors				
Li Jiancheng	–	–	–	–
Hong Lijun	10,000	282,240	30,193	322,433
Ruan Cen	10,000	142,108	19,711	171,819
Wu Lindi	20,000	–	–	20,000
Chen Jinzhu	20,000	–	–	20,000
	329,487	2,296,968	164,249	2,790,704

(Amounts expressed in RMB unless otherwise stated)

10. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

	Year ended 31 December 2019			
Name	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Zhou Yongwei	—	—	—	—
Wu Zhirui	—	938,400	43,127	981,527
Yan Zhijiang	—	517,400	43,127	560,527
Liu Aiqin	—	360,965	42,704	403,669
Non-executive Directors				
Cai Rongjun	—	—	—	—
Jiang Haiying	—	—	—	—
Independent Non-executive Directors				
Zhang Lihe	87,799	—	—	87,799
Sun Leland Li Hsun	87,799	—	—	87,799
Lin Jianguo	87,799	—	—	87,799
Supervisors				
Li Jiancheng	—	—	—	—
Hong Lijun	10,000	380,375	38,849	429,224
Ruan Cen	10,000	140,100	29,639	179,739
Wu Lindi	20,000	—	—	20,000
Chen Jinzhu	20,000	—	—	20,000
	323,397	2,337,240	197,446	2,858,083

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(Amounts expressed in RMB unless otherwise stated)

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included three Directors (2019: three directors and one supervisor), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2019: one) highest paid employee who are neither a director nor supervisor of the Company are as follows:

	2020	2019
Salaries, allowances and benefits in kind	890,300	481,015
Contributions to a defined contribution scheme	55,075	38,849
Total	945,375	519,864

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of individuals	
	2020	2019
Nil to RMB1,000,000	2	1

12. INCOME TAX EXPENSE

	2020	2019
Current income tax	19,654,626	23,363,520
Deferred income tax	(2,745,733)	255,253
Total	16,908,893	23,618,773

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

(Amounts expressed in RMB unless otherwise stated)

12. INCOME TAX EXPENSE (Continued)

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

	2020	2019
Profit before tax	70,789,632	98,150,867
Tax at the applicable tax rate of 25%	17,697,408	24,537,717
Lower tax rate for specific provinces or enacted by local authority	(1,048,594)	(659,115)
Adjustments in respect of current tax of previous periods	255,833	(95,270)
Tax effect of income not subject to tax	(133,804)	(960,237)
Tax effect of expenses not deductible for tax purposes	46,880	739,532
Tax losses utilised from previous periods	—	(32,940)
Tax losses not recognised	91,170	89,086
Total tax expense for the year at the Group's effective tax rate	16,908,893	23,618,773

13. DIVIDENDS

Pursuant to the resolution of its annual general meeting held on 12 June 2020, the Company distributed cash dividends of RMB34.0 million to the Shareholders for the year ended 31 December 2019.

Pursuant to the resolution of the board of directors of the Company passed on 26 March 2021, a final dividend of approximately RMB34.0 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of the statutory surplus reserve and general reserve and is subject to approval by Shareholders at the forthcoming annual general meeting.

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

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

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

	2020	2019
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	41,096,184	64,421,947
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	680,000,000	680,000,000
Basic and diluted earnings per share	0.06	0.09

15. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	49,727	32,932
Cash at banks	31,366,248	36,052,503
Cash equivalents	460,567	33,405
Cash and cash equivalents in the statement of financial position	31,876,542	36,118,840
Less: restricted current deposit	(12,191,129)	—
Cash and cash equivalents in the statement of cash flow	19,685,413	36,118,840

At the end of the reporting period, the cash and bank balances of the Group denominated in USD amounted to RMB6,268,141 (2019: RMB9,138,624). Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2020, restricted current deposit represents deposit frozen by a court in connection with a pending lawsuit as disclosed in note 30.

(Amounts expressed in RMB unless otherwise stated)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	31 December 2020	31 December 2019
At fair value through profit or loss			
Wealth management products	(a)	131,435,292	47,820,000
Listed equity investments	(b)	203,497,188	44,528,525
Listed funds		8,817,839	6,000,000
Designated as at fair value through profit or loss			
Other unlisted investments	(c)	19,089,196	19,930,003
Total		362,839,515	118,278,528

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

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

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

17. LOANS AND ACCOUNTS RECEIVABLE

	31 December 2020	31 December 2019
Loans receivable	876,020,275	1,129,136,307
Lease receivables	11,210,561	39,228,856
Less: Unearned finance income	(735,504)	(3,746,939)
Net lease receivables	10,475,057	35,481,917
Less: Allowance for impairment		
— Individually assessed	(34,957,275)	(43,438,596)
— Collectively assessed	(18,002,447)	(22,355,442)
Total	833,535,610	1,098,824,186

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

(Amounts expressed in RMB unless otherwise stated)

17. LOANS AND ACCOUNTS RECEIVABLE (Continued)

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 31 December 2020, 34.6% (31 December 2019: 38.8%) of loans receivable were guaranteed loans, and 64.8% (31 December 2019: 60.7%) of loans receivable were collateral-backed loans.

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

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2019	969,949,014	48,481,169	54,950,910	1,073,381,093
New	2,941,661,963	—	—	2,941,661,963
Derecognised (excluding write-off)	(2,942,741,008)	(101,344,191)	(22,244,705)	(3,066,329,904)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(303,537,467)	303,537,467	—	—
Transfer to Stage 3	(3,762,095)	(23,106,078)	26,868,173	—
Write-off	—	—	(31,387,529)	(31,387,529)
Acquisition of a subsidiary	106,317,668	95,671,599	45,303,334	247,292,601
At 31 December 2019	767,888,075	323,239,966	73,490,183	1,164,618,224
New	1,098,464,816	—	—	1,098,464,816
Derecognised (excluding write-off)	(1,260,431,475)	(51,773,106)	(4,735,330)	(1,316,939,911)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(61,979,464)	61,979,464	—	—
Transfer to Stage 3	(7,719,090)	(166,153,948)	173,873,038	—
Write-off	—	—	(60,647,797)	(60,647,797)
Recovery of loans and accounts receivable written off	—	—	1,000,000	1,000,000
At 31 December 2020	536,222,862	167,292,376	182,980,094	886,495,332

(Amounts expressed in RMB unless otherwise stated)

17. LOANS AND ACCOUNTS RECEIVABLE (Continued)

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

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2019	13,203,251	4,232,102	18,960,642	36,395,995
Net charge/(reversal) of the impairment	(6,189,087)	(8,193,623)	37,104,932	22,722,222
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(4,231,765)	4,231,765	—	—
Transfer to Stage 3	(52,676)	(284,673)	337,349	—
Accreted interest on impaired loans	—	—	(8,626,419)	(8,626,419)
Impact on year end ECLs of exposures transferred between stages during the year	—	12,938,542	2,168,033	15,106,575
Write-off and transfer out	—	—	(31,387,529)	(31,387,529)
Acquisition of a subsidiary	1,516,207	5,185,399	24,881,588	31,583,194
At 31 December 2019	4,245,930	18,109,512	43,438,596	65,794,038
Net charge/(reversal) of the impairment	(515,008)	566,079	47,081,878	47,132,949
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(302,321)	302,321	—	—
Transfer to Stage 3	(37,932)	(9,762,287)	9,800,219	—
Accreted interest on impaired loans	—	—	(22,311,384)	(22,311,384)
Impact on year end ECLs of exposures transferred between stages during the year	—	5,396,153	16,595,763	21,991,916
Write-off	—	—	(60,647,797)	(60,647,797)
Recovery of loans and accounts receivable written off	—	—	1,000,000	1,000,000
At 31 December 2020	3,390,669	14,611,778	34,957,275	52,959,722

(Amounts expressed in RMB unless otherwise stated)

17. LOANS AND ACCOUNTS RECEIVABLE (Continued)

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

	31 December 2020	31 December 2019
Lease receivables		
Due within 1 year	10,389,311	26,465,686
Due in 1 to 2 years	821,250	11,913,752
Due in 2 to 3 years	–	849,418
	11,210,561	39,228,856

	31 December 2020	31 December 2019
Net lease receivables		
Due within 1 year	9,696,680	23,469,421
Due in 1 to 2 years	778,377	11,193,980
Due in 2 to 3 years	–	818,516
	10,475,057	35,481,917

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

(Amounts expressed in RMB unless otherwise stated)

18. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:					
At 1 January 2019	—	986,809	1,436,280	2,725,356	5,148,445
Additions	—	—	30,608	421	31,029
Acquisition	—	703,268	109,944	—	813,212
Disposals	—	(157,176)	(4,600)	—	(161,776)
At 31 December 2019	**—**	**1,532,901**	**1,572,232**	**2,725,777**	**5,830,910**
Additions	**6,917,546**	**—**	**1,433,416**	**—**	**8,350,962**
Disposals	**—**	**—**	**(57,401)**	**—**	**(57,401)**
At 31 December 2020	**6,917,546**	**1,532,901**	**2,948,247**	**2,725,777**	**14,124,471**
Accumulated depreciation:					
At 1 January 2019	—	745,830	788,108	2,065,657	3,599,595
Depreciation charge for the year	—	112,717	355,018	322,802	790,537
Acquisition	—	573,794	99,851	—	673,645
Disposals	—	(149,317)	(4,370)	—	(153,687)
At 31 December 2019	—	1,283,024	1,238,607	2,388,459	4,910,090
Depreciation charge for the year	**24,182**	**93,426**	**281,997**	**337,318**	**736,923**
Disposals	**—**	**—**	**(45,026)**	**—**	**(45,026)**
At 31 December 2020	**24,182**	**1,376,450**	**1,475,578**	**2,725,777**	**5,601,987**
Net carrying amount:					
At 31 December 2020	**6,893,364**	**156,451**	**1,472,669**	**—**	**8,522,484**
At 31 December 2019	—	249,877	333,625	337,318	920,820

As at 31 December 2020, the certificates of the buildings with cost of RMB6,917,546 (31 December 2019: Nil) were still in process by the local authority and have not been obtained yet.

(Amounts expressed in RMB unless otherwise stated)

19. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Properties
At 1 January 2019	3,269,227
Additions	304,398
Acquisition of a subsidiary	183,235
Depreciation charge	(1,826,685)
At 31 December 2019	1,930,175
Additions	58,117
Depreciation charge	(1,738,111)
At 31 December 2020	250,181

(b) Lease liabilities

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

	Lease liabilities
Carrying amount at 1 January 2019	3,287,322
New leases	250,363
Additions as a result of acquisition of a subsidiary	122,135
Accretion of interest recognised during the year	160,976
Payments	(2,173,451)
Carrying amount at 31 December 2019	1,647,345
New leases	58,117
Accretion of interest recognised during the year	26,418
COVID-19-related rent concessions from lessors	(101,533)
Payments	(1,478,133)
Carrying amount at 31 December 2020	152,214

(Amounts expressed in RMB unless otherwise stated)

19. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

As disclosed in note 3.1 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

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

	2020	2019
Interest on lease liabilities	26,418	160,976
Depreciation charge for right-of-use assets	1,738,111	1,826,685
Expense relating to short-term leases	201,019	—
COVID-19-related rent concessions from lessors	(101,533)	—
Total amount recognised in profit or loss	1,864,015	1,987,661

(d) The total cash outflow for leases is disclosed in note 28(c) to the financial statements. At 31 December 2020, there were no future cash outflows relating to leases that have not yet commenced.

(Amounts expressed in RMB unless otherwise stated)

20. GOODWILL

At 1 January 2019	
Cost and net carrying amount	2,221,017
Cost at 1 January 2019, net of accumulated impairment	2,221,017
Acquisition of a subsidiary	14,729,281
Impairment during the year	(2,221,017)
At 31 December 2019	14,729,281
At 31 December 2019:	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281
Cost at 1 January 2020, net of accumulated impairment	14,729,281
Impairment during the year	—
At 31 December 2020	14,729,281
At 31 December 2020:	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the acquired subsidiaries as the cash-generating unit for impairment testing.

- Finance lease cash-generating unit; and
- Micro-credit cash-generating unit.

Finance lease cash-generating unit

As at 31 December 2019, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB2,221,017 arising from the acquisition of Lianche was higher than its recoverable amount. As a result, an impairment loss of approximately RMB2,221,017 was recognised.

As at 31 December 2020, considering the fact that the actual interest income from financial leases was still below originally expected financial budget, no impairment was reversed.

(Amounts expressed in RMB unless otherwise stated)

20. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Micro-credit cash-generating unit

The recoverable amount of the micro-credit cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13%. As at 31 December 2020, the Group assessed that the impairment of goodwill and the recoverable amounts exceeded the carrying amount, and hence the goodwill was not regarded as impaired.

The carrying amounts of goodwill are as follows:

	31 December 2020	31 December 2019
Finance lease	—	—
Micro-credit	14,729,281	14,729,281
	14,729,281	14,729,281

Assumptions were used in value-in-use calculation for 31 December 2020. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate — The discount rate used reflects specific risks relating to the relevant unit.

The values assigned to discount rates are comparable with external information sources.

(Amounts expressed in RMB unless otherwise stated)

21. OTHER INTANGIBLE ASSETS

	Software
Cost:	
At 1 January 2019	1,234,400
Additions	2,895,022
Acquisition of a subsidiary	22,700
At 31 December 2019	4,152,122
Additions	1,185,848
Disposals	(280,000)
At 31 December 2020	5,057,970
Accumulated amortisation:	
At 1 January 2019	1,094,400
Acquisition of subsidiaries	22,700
Charge for the year	1,451,662
At 31 December 2019	2,568,762
Charge for the year	1,591,732
Disposals	(280,000)
At 31 December 2020	3,880,494
Net carrying amount:	
At 31 December 2020	1,177,476
At 31 December 2019	1,583,360

(Amounts expressed in RMB unless otherwise stated)

22. DEFERRED TAX

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

Gross deferred tax assets

	Impairment allowance on loans	Fair value adjustments of financial assets at fair value through profit or loss	Recoverable loss	Total
At 1 January 2019	2,116,411	—	—	2,116,411
Recognised in profit or loss	(172,158)	33,382	380	(138,396)
Acquisition of subsidiaries	1,205,058	—	—	1,205,058
At 31 December 2019	3,149,311	33,382	380	3,183,073
Recognised in profit or loss	4,550,791	3,030,301	(380)	7,580,712
At 31 December 2020	7,700,102	3,063,683	—	10,763,785

Gross deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss	Total
At 1 January 2019	—	—
Recognised in profit or loss	116,857	116,857
At 31 December 2019	116,857	116,857
Recognised in profit or loss	4,834,979	4,834,979
At 31 December 2020	4,951,836	4,951,836

(Amounts expressed in RMB unless otherwise stated)

22. DEFERRED TAX (Continued)

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

	2020	2019
Net deferred tax assets recognised in the consolidated statement of financial position	10,763,785	3,182,693
Net deferred tax liabilities recognised in the consolidated statement of financial position	4,951,836	116,477

The Group has tax losses arising in Mainland China of RMB400,787 (2019: RMB36,104) that will expire in one to five years for offsetting against future taxable profits.

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

23. OTHER ASSETS

	Note	31 December 2020	31 December 2019
Repossessed assets	(a)	10,505,899	12,855,969
Prepaid tax		1,243,280	—
Deposit payment	(b)	30,000,000	—
Other receivables		604,807	1,691,324
Deferred and prepaid expenses		437,699	773,233
		42,791,685	15,320,526

Notes:

(a) Repossessed assets are properties located at Quanzhou City, Fujian Province and Weihai City, Shandong Province in the PRC. The contracts which effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2019: RMB8,060,000) have not been obtained because these properties are still under development.

(b) In 2020, the Group entered into an agreement to purchase a non-performing loan ("NPL") portfolio from a third party and paid a deposit of RMB30,000,000. At the same time, the Group transferred part of the to-be-acquired NPL portfolio to some individual investors and received deposits of RMB12,870,000 as disclosed in note 25.

(Amounts expressed in RMB unless otherwise stated)

24. INTEREST-BEARING BANK BORROWINGS

	31 December 2020	31 December 2019
Guaranteed bank loans repayable:		
Within one year	50,067,361	70,108,074

As at 31 December 2020, the annual interest rate of the loans above was 4.850% (31 December 2019: 5.434%).

The interest-bearing bank borrowings of RMB50 million as at 31 December 2020 were guaranteed by one of the Shareholders, Fujian Septwolves Group Co., Ltd. ("Septwolves Group").

25. OTHER PAYABLES

	31 December 2020	31 December 2019
Payrolls payable	3,507,443	4,888,981
Value-added tax, and surcharges payable	1,850,489	1,646,239
Deposits received	13,670,000	3,739,241
Others	2,121,860	2,335,645
	21,149,792	12,610,106

* As at 31 December 2020, the balance includes deposits of RMB12,870,000 received in connection with the transfer of part of the NLP portfolio, as disclosed in note 23(b).

26. SHARE CAPITAL

	31 December 2020	31 December 2019
Issued and fully paid ordinary shares of RMB1 each	680,000,000	680,000,000

27. RESERVES

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

Capital reserve

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

Surplus reserve

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

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

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

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

General reserve

In accordance with the relevant regulations, the Company is required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets. Such reserve is not available for profit distribution or transfer to capital. As at 31 December 2020, the balance of the general reserve of the Company was RMB16.3 million (31 December 2019: RMB16.3 million), which is not lower than 1.5% of its risk assets.

(Amounts expressed in RMB unless otherwise stated)

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB58,117 (2019: RMB304,398) and RMB58,117 (2019: RMB250,363), respectively, in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	Lease liabilities	Amounts due to Shareholders	Amounts due to non-controlling Shareholders
At 1 January 2020	70,108,074	1,647,345	—	—
Changes from financing cash flows	(22,720,167)	(1,478,133)	(34,000,000)	(18,756,000)
New leases	—	58,117	—	—
COVID-19-related rent concessions from lessors	—	(101,533)	—	—
2019 final dividends payable	—	—	34,000,000	18,756,000
Interest expense	2,679,454	26,418	—	—
At 31 December 2020	50,067,361	152,214	—	—

	Bank borrowings and interest payable	Lease liabilities	Amounts due to Shareholders
At 31 December 2018	200,336,825	—	—
Effect of adoption of HKFRS 16	—	3,287,322	—
At 1 January 2019 (restated)	200,336,825	3,287,322	—
Changes from financing cash flows	(139,120,483)	(2,173,451)	(34,000,000)
2018 final dividends payable	—	—	34,000,000
New leases	—	250,363	—
Acquisition of subsidiaries	8,891,732	122,135	—
Interest expense	—	160,976	—
At 31 December 2019	70,108,074	1,647,345	—

(Amounts expressed in RMB unless otherwise stated)

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

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

	2020	2019
Within financing activities	1,478,133	2,173,451

29. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	2020	2019
Salaries and other short-term employee benefits	2,177,349	2,693,393

Further details of non-executive directors' and supervisors' emoluments are included in note 10 to the consolidated financial statements.

(b) Loan guarantee

The interest-bearing bank borrowings of RMB50.0 million as at 31 December 2020 (31 December 2019: RMB70.1 million) were guaranteed by Septwolves Group. The guarantee fee of RMB204,616 (2019: RMB672,830) was accrued during the year, which was based on a fixed rate of the balance of the interest-bearing borrowings.

(c) Loan facilitation services

During the year, the Group provided loan facilitation service to a related party, Fujian Yuanheng Pegadaian Co., Ltd., and received a fee of revenue of RMB34,608 (2019: RMB261,001).

(d) Lease and property management fee

The Group has signed a lease agreement with Xiamen Septwolves Asset Management Co., Ltd. ("**Septwolves AMC**"), a subsidiary of Septwolves Group. During the year, the Group paid Septwolves AMC RMB128,250 (2019: RMB126,000) for the rent.

During the year, the property management fee of RMB56,447 (2019: RMB32,934) was paid to Xiamen Huakaifugui Property Management Co., Ltd., a subsidiary of Septwolves Group.

(e) Outstanding balances with related parties

As at 31 December 2020, the Group prepaid guarantee fee to Septwolves Group, with the outstanding balance of RMB171,516 (31 December 2019: balance due to Septwolves Group of RMB11,132). The balance is both unsecured and interest-free.

(Amounts expressed in RMB unless otherwise stated)

30. CONTINGENT LIABILITIES

As at 31 December 2020, the Company was subject to one pending civil litigation proceedings as one of the defendants in relation to the shareholder obligation of capital commitment with an amount of approximately RMB12.0 million for the Company. As of/at the date of this report, no hearing has been held. The directors, based on the advice from PRC legal adviser, believe that no provisions were needed and the proceeding would not have any material adverse effect on the Group's business, financial position or results of operations.

31. COMMITMENTS

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

	31 December 2020	31 December 2019
Contracted, but not provided for:		
Leasehold Improvements	203,248	—
Software	680,000	767,000
	883,248	767,000

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are RMB126,000 due within one year.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	31 December 2020	31 December 2019
Financial assets		
Financial assets at fair value through profit or loss	362,839,515	118,278,528
Financial assets at amortised cost		
— Cash and cash equivalents	31,876,542	36,118,840
— Securities purchased under agreements to re-sell	3,800,000	29,900,000
— Loans and accounts receivable	833,535,610	1,098,824,186
— Other receivables	30,604,807	1,691,324
	1,262,656,474	1,284,812,878
Financial liabilities		
Financial liabilities at amortised cost		
— Interest-bearing bank borrowings	50,067,361	70,108,074
— Lease liabilities	152,214	1,647,345
— Other payables	15,791,860	5,545,483
	66,011,435	77,300,902

33. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments include credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk. The Group has no significant exposures to other financial risks except as disclosed below. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Group manages the loans granted to SMEs, microenterprises and entrepreneurial individuals with the same policies and procedures.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures; and
- Risk management policies and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit assessment, granting of credit limits, loan evaluation, loan review and approval, granting of loans and post-disbursement loan monitoring.

In the lending business, the Group adopts a loan classification approach to manage its loan portfolio risk. The Group's loans are categorised as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The core definitions of the five categories of loans receivable are set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay the principal and interest in full on a timely basis.
- Special-mention: Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
- Substandard: Borrower's ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay the principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay the principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: The principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

To strengthen the credit risk management practices, the Group also launches training programmes periodically for credit officers at different levels.

The Group is exposed to credit risk primarily associated with cash at banks, securities purchased under agreements to re-sell, loans and accounts receivable and other receivables. The credit risk of these assets mainly arises from the counterparties' failure to discharge their contractual obligations and the maximum exposure equals the carrying amount.

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment assessment

The main consideration for the loan impairment assessment includes whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Group conducts an assessment of ECLs according to forward-looking information and uses complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECLs
- Forward-looking information

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, internal rating grade, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of each reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk mainly when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the increase in the remaining lifetime probability of default is considered significant comparing with the one at initial recognition.

Qualitative criteria

- Significant adverse change in debtor's operation or financial status.
- Be classified into the Special Mention category within the five-tier loan classification.

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due.

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment assessment (Continued)

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under HKFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Internal rating of the borrower indicating default or near-default;
- Significant financial difficulty of the issuer or the customer;
- The debtor leaves any of the loans receivable of the Group overdue for more than 90 days; and
- It is becoming probable that the customer will enter bankruptcy or other financial restructuring.

The credit impairment of a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group mainly evaluate the future cash flow (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Parameters of ECL measurement

Based on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss on different assets with ECLs of 12 months or the entire lifetime respectively. The key measuring parameters of ECLs include PD, loss given default ("**LGD**") and exposure at default ("**EAD**"). The Group takes into account the quantitative analysis of historical statistics (such as the internal rating grade, manners of guarantees and types of collateral, and repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the internal rating grade, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time PD under the current macroeconomic environment.
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of the counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime.
- EAD is the amount that the Group should reimburse at the time of the default in the next 12 months or throughout the entire remaining lifetime.

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment assessment (Continued)

Forward-looking information

Both of the assessment of a significant increase in credit risk and the calculation of ECLs involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs, such as GDP growth, central bank base rates and price indices.

Collateral and other credit enhancements

The amount and the type of collateral required depend on the assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The collateral obtained by the Group mainly consists of mortgages on land use rights, building ownership rights or equipment and pledges of shares. All collateral is registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of the collateral regularly.

Although collateral can mitigate credit risk to a certain extent, the Group mostly grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flows, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

(Amounts expressed in RMB unless otherwise stated)

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral and other credit enhancements (Continued)

The tables below summarise the impaired loans by type of collateral, guarantee and overdue period.

	31 December 2020				
	Not overdue	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
Guaranteed loans	—	11,133,473	72,000,000	4,925,446	88,058,919
Collateral-backed loans with guarantees	—	62,659,018	14,164,746	18,097,411	94,921,175
Total	—	73,792,491	86,164,746	23,022,857	182,980,094

	31 December 2019				
	Not overdue	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
Guaranteed loans	—	650,000	5,410,000	44,841,797	50,901,797
Collateral-backed loans with guarantees	—	183,975	—	22,404,411	22,588,386
Total	—	833,975	5,410,000	67,246,208	73,490,183

Credit quality of loans receivable

A loan or advance is identified as an impaired loan if there is objective evidence indicating that the loan's estimated future cash flows are influenced by one or several factors and the impact can be estimated reliably. The Group closely monitors the credit quality of the loans, and uses measures such as disposal of impaired loans to mitigate the overall credit risk exposure.

The Group manages the credit quality of financial assets using credit ratings. The table below shows the credit quality of loans receivable exposed to credit risk, based on the Group's credit rating system. The amounts presented are gross of impairment allowances.

(Amounts expressed in RMB unless otherwise stated)

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit quality of loans receivable (Continued)

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
31 December 2020	693,095,238	10,420,000	182,980,094	886,495,332
31 December 2019	1,009,318,041	81,810,000	73,490,183	1,164,618,224

As at 31 December 2020 and 31 December 2019, loans neither past due nor impaired were related to various diversified customers with no recent default history.

As at 31 December 2020 and 31 December 2019, loans past due but not impaired are related to the individual customers with no default history. According to past experience, the Group does not recognise individual allowance for these loans receivables since there is no significant change in credit quality and the amount is expected to be recovered in full.

Analysis of risk concentration

Since the loans are granted to third parties whose creditworthiness has been assessed by the Group, no collateral is required in certain cases. The Group manages its exposure to the concentration of credit risk by diversifying its portfolio in terms of customer type and industry. Because its business operations are subject to the geographic restrictions of its operating licence, the Group is exposed to the credit risk of geographic concentration. However, although its customers are concentrated in Quanzhou City, the Group provides loans to a wide variety of customers that operate in different industries in order to mitigate its exposure to such risk.

Maximum exposure to credit risk before collateral held or other enhancements

The table below shows the maximum exposure to credit risk based on the Group's credit policy.

	31 December 2020	31 December 2019
Cash and cash equivalents*	31,826,815	36,085,908
Securities purchased under agreements to re-sell	3,800,000	29,900,000
Loans and accounts receivable	833,535,610	1,098,824,186
Other receivables	30,604,807	1,691,324
Total	899,767,232	1,166,501,418

* Excluding cash on hand

The table above represents the worst-case scenario of credit risk exposure of the Group as at 31 December 2020 and 2019, without taking into account any collateral held, or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Foreign currency risk

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in HKD and USD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD and USD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity.

	2020	
Changes in exchange rates	**Impact on profit before tax**	**Impact on equity**
+ 5%	**4,510,747**	**4,510,747**
– 5%	**(4,510,747)**	**(4,510,747)**

	2019	
Changes in exchange rates	Impact on profit before tax	Impact on equity
+ 5%	714,315	714,315
– 5%	(714,315)	(714,315)

The above impact on equity represents adjustments to profit before tax.

(c) Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its cash at banks, securities purchased under agreements to re-sell, loans and accounts receivable, interest-bearing bank borrowings and lease liabilities. The majority of the Group's loans and accounts receivable bear interest at fixed rates. They are mostly influenced by the mismatch of the repricing dates of interest-generating assets and interest-bearing liabilities. The Group does not use derivative financial instruments to manage its interest rate risk.

(Amounts expressed in RMB unless otherwise stated)

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

The table below analyses the Group's interest rate risk exposure on financial assets and liabilities.

The assets and liabilities are included at the carrying amount and categorised by the earlier of the contractual repricing or maturity date.

	31 December 2020					
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets:						
Cash and cash equivalents	–	–	–	–	31,826,815	31,826,815
Securities purchased under agreements to re-sell	–	3,800,000	–	–	–	3,800,000
Loans and accounts receivable	157,482,830	117,722,340	520,246,026	38,084,414	–	833,535,610
Subtotal	157,482,830	121,522,340	520,246,026	38,084,414	31,826,815	869,162,425
Financial liabilities:						
Interest-bearing bank borrowings	–	–	–	–	50,067,361	50,067,361
Lease liabilities	–	137,385	14,829	–	–	152,214
Subtotal	–	137,385	14,829	–	50,067,361	50,219,575
Exposure to interest sensitivity	157,482,830	121,384,955	520,231,197	38,084,414	(18,240,546)	818,942,850

	31 December 2019					
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets:						
Cash and cash equivalents	–	–	–	–	36,085,908	36,085,908
Securities purchased under agreements to re-sell	–	29,900,000	–	–	–	29,900,000
Loans and accounts receivable	37,915,481	228,360,987	633,746,370	198,801,348	–	1,098,824,186
Subtotal	37,915,481	258,260,987	633,746,370	198,801,348	36,085,908	1,164,810,094
Financial liabilities:						
Interest-bearing bank borrowings	–	–	–	–	70,108,074	70,108,074
Lease liabilities	–	245,467	1,222,157	179,721	–	1,647,345
Subtotal	–	245,467	1,222,157	179,721	70,108,074	71,755,419
Exposure to interest sensitivity	37,915,481	258,015,520	632,524,213	198,621,627	(34,022,166)	1,093,054,675

(Amounts expressed in RMB unless otherwise stated)

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate instruments). The Group's equity is not affected, other than the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before tax.

Changes in variables	2020 Impact on profit before tax	2019 Impact on profit before tax
+ 50 basis points	(90,866)	(169,570)
– 50 basis points	90,866	169,570

(d) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk arising from financial assets at fair value through profit or loss (Note 16). As at 31 December 2020, a 10% increase in the fair value of the financial assets, with all other variables held constant, would increase financial assets at fair value through profit or loss by RMB36.3 million (31 December 2019: RMB11.8 million).

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

The Group seeks to manage its liquidity risk by circulating liquidity facilities. The facilities take into account the maturity dates of financial instruments and estimated cash flows from operation.

(Amounts expressed in RMB unless otherwise stated)

33. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities that will be settled on a net basis and on a gross basis by the remaining contractual maturities at the financial reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	31 December 2020						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Financial assets:							
Cash and cash Equivalents*	19,685,413	–	–	–	–	–	19,685,413
Securities purchased under agreements to re-sell	–	–	3,800,000	–	–	–	3,800,000
Financial assets at fair value through profit or loss	131,435,292	–	–	–	–	231,404,223	362,839,515
Loans and accounts receivable	–	193,400,094	142,856,718	564,168,853	42,506,988	–	942,932,653
Other assets	137,833	–	30,159,446	188,668	118,860	–	30,604,807
Subtotal	151,258,538	193,400,094	176,816,164	564,357,521	42,625,848	231,404,223	1,359,862,388
Financial liabilities:							
Interest-bearing bank borrowings	–	–	50,673,611	–	–	–	50,673,611
Lease liabilities	–	–	181,720	29,213	–	–	210,933
Other payables	–	–	14,507,367	984,294	300,000	–	15,791,861
Subtotal	–	–	65,362,878	1,013,507	300,000	–	66,676,405
Net	151,258,538	193,400,094	111,453,266	563,344,014	42,325,848	231,404,223	1,293,185,983

* Excluding a Excluded current deposit in a restricted account

(Amounts expressed in RMB unless otherwise stated)

33. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

	31 December 2019						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Financial assets:							
Cash and cash equivalents	36,118,840	–	–	–	–	–	36,118,840
Securities purchased under agreements to re-sell	–	–	29,900,000	–	–	–	29,900,000
Financial assets at fair value through profit or loss	47,820,000	–	–	–	–	70,458,528	118,278,528
Loans and accounts receivable	–	80,340,183	277,500,222	687,508,853	233,777,628	–	1,279,126,886
Other assets	533,817	–	374,779	441,053	341,675	–	1,691,324
Subtotal	84,472,657	80,340,183	307,775,001	687,949,906	234,119,303	70,458,528	1,465,115,578
Financial liabilities:							
Interest-bearing bank borrowings	–	–	20,964,014	51,262,056	–	–	72,226,070
Lease liabilities	–	–	268,461	1,258,278	182,300	–	1,709,039
Other payables	–	–	2,445,483	–	3,100,000	–	5,545,483
Subtotal	–	–	23,677,958	52,520,334	3,282,300	–	79,480,592
Net	84,472,657	80,340,183	284,097,043	635,429,572	230,837,003	70,458,528	1,385,634,986

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise Shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020.

(Amounts expressed in RMB unless otherwise stated)

33. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, and lease liabilities, less cash and cash equivalents. Management regards total equity, which includes share capital, reserves and retained profits, as capital. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2020	31 December 2019
Interest-bearing bank borrowings	50,067,361	70,108,074
Lease liabilities	152,214	1,647,345
Less: Cash and cash equivalents	31,876,542	36,118,840
Net debt	18,343,033	35,636,579
Share capital	680,000,000	680,000,000
Reserves	145,756,111	143,154,528
Retained profits	261,738,838	257,244,237
Capital	1,087,494,949	1,080,398,765
Capital and net debt	1,105,837,982	1,116,035,344
Gearing ratio	1.7%	3.2%

(Amounts expressed in RMB unless otherwise stated)

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

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

* Excluding a current deposit in a restricted account

(Amounts expressed in RMB unless otherwise stated)

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

	31 December 2019					
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	36,118,840	–	–	–	–	36,118,840
Securities purchased under agreements to re-sell	–	–	29,900,000	–	–	29,900,000
Financial assets at fair value through profit or loss	47,820,000	–	–	–	70,458,528	118,278,528
Loans and accounts receivable	–	37,915,481	228,360,987	633,746,370	198,801,348	1,098,824,186
Property and equipment	–	–	–	–	920,820	920,820
Right-of-use assets	–	–	–	–	1,930,175	1,930,175
Goodwill	–	–	–	–	14,729,281	14,729,281
Other intangible assets	–	–	–	–	1,583,360	1,583,360
Deferred tax assets	–	–	–	–	3,182,693	3,182,693
Other assets	533,817	–	525,321	1,063,744	13,197,644	15,320,526
Subtotal	84,472,657	37,915,481	258,786,308	634,810,114	304,803,849	1,320,788,409
Liabilities:						
Interest-bearing bank borrowings	–	–	20,108,074	50,000,000	–	70,108,074
Lease liabilities	–	–	245,467	1,222,157	179,721	1,647,345
Income tax payable	–	–	7,440,617	–	–	7,440,617
Deferred tax liabilities	–	–	–	–	116,477	116,477
Other payables	–	–	9,510,106	–	3,100,000	12,610,106
Subtotal	–	–	37,304,264	51,222,157	3,396,198	91,922,619
Net	84,472,657	37,915,481	221,482,044	583,587,957	301,407,651	1,228,865,790

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss	**343,750,319**	**—**	**19,089,196**	**362,839,515**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	92,348,525	6,000,000	19,930,003	118,278,528

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 (31 December 2019: Nil).

In 2020, financial assets measured at fair value of RMB6,000,000 were transferred from Level 2 to Level 1 (2019: Nil). There were no transfers into or out of Level 3 for the financial assets measured at fair value (2019: Nil).

(Amounts expressed in RMB unless otherwise stated)

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Important unobservable input value in fair value measurement of Level 3

As at 31 December 2020	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Other unlisted investment	**1,750,592**	**Adjusted recent transaction price**	**N/A**	**N/A**
Other unlisted investment	**7,338,604**	**Adjusted net asset value**	**Discount for lack of liquidity**	**The lower the discount, the higher the fair value**
Other unlisted investment	**10,000,000**	**Recent transaction price**	**N/A**	**N/A**

As at 31 December 2019	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Other unlisted investment	12,727,300	Recent transaction price	N/A	N/A
Other unlisted investment	7,202,703	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value

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

	2020	2019
Financial assets at fair value through profit or loss		
At 1 January	**19,930,003**	—
Total (losses)/gains recognised in profit or loss	**(10,840,807)**	437,892
Purchases	**10,000,000**	—
Acquisition of a subsidiary	**–**	6,764,811
Repossessed unlisted investments	**–**	12,727,300
At 31 December	**19,089,196**	19,930,003

36. EVENT AFTER THE REPORTING PERIOD

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

(Amounts expressed in RMB unless otherwise stated)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31 December 2020	31 December 2019
ASSETS		
Cash and cash equivalents	23,939,178	4,810,669
Financial assets at fair value through profit or loss	36,912,036	12,727,300
Loans and accounts receivable	612,082,011	845,096,485
Property and equipment	192,105	611,017
Right-of-use assets	187,846	1,541,987
Investments in subsidiaries	177,322,133	177,322,133
Intangible assets	124,528	1,583,360
Deferred tax assets	9,640,687	2,339,106
Other assets	253,867,698	103,906,663
TOTAL ASSETS	1,114,268,222	1,149,938,720
LIABILITIES		
Interest-bearing bank borrowings	50,067,361	70,108,074
Lease liabilities	107,368	1,379,032
Income tax payable	—	2,130,731
Other payables	3,890,806	8,134,023
TOTAL LIABILITIES	54,065,535	81,751,860
NET ASSETS	1,060,202,687	1,068,186,860
EQUITY		
Share capital	680,000,000	680,000,000
Reserves	145,756,111	143,154,528
Retained profits	234,446,576	245,032,332
TOTAL EQUITY	1,060,202,687	1,068,186,860

(Amounts expressed in RMB unless otherwise stated)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2019	69,383,972	52,231,032	15,355,594	136,970,598
Appropriation to surplus reserve	—	5,263,257	—	5,263,257
Appropriation to general reserve	—	—	920,673	920,673
Balance as at 31 December 2019 and 1 January 2020	69,383,972	57,494,289	16,276,267	143,154,528
Appropriation to surplus reserve	—	2,601,583	—	2,601,583
Appropriation to general reserve	—	—	—	—
Balance as at 31 December 2020	69,383,972	60,095,872	16,276,267	145,756,111

38. IMPACT OF COVID-19 PANDEMIC

The World Health Organisation declared the outbreak of Covid-19 pandemic as a global pandemic in March 2020. The Covid-19 pandemic has affected the ability of certain of the Group's customers to fulfill their obligations of repayment to the Group, which in turn, has negatively affected the estimates of expected credit loss in the Group's financial statement, and hence the results of operations for the year ended 31 December 2020. The management is continuing closely monitoring the situation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's board of directors on 26 March 2021.

Financial Summary

The following is a summary of assets and liabilities of our Group as of 31 December 2016, 2017, 2018, 2019 and 2020, and of the results of our Group for each of the years ended 31 December 2016, 2017, 2018, 2019 and 2020.

	Year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
RESULTS					
Interest income	143,693	140,015	156,789	170,814	**146,251**
Profit before tax	114,281	119,867	114,240	98,151	**70,790**
Income tax expense	(28,762)	(28,900)	(26,256)	(23,619)	**(16,909)**
Net profit and total comprehensive income for the year	85,519	90,966	87,983	74,532	**53,881**
ASSETS AND LIABILITIES					
Total assets	960,886	1,156,331	1,292,334	1,320,788	**1,310,287**
Total liabilities	21,866	160,344	226,107	91,922	**80,296**
Total equity	939,021	995,987	1,066,227	1,228,866	**1,229,991**

Definitions

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

"AGM"	the annual general meeting of the Company to be held at 22/F, Building 3, Finance Square, No. 267 Chongde Road, Qingyang Street, Jinjiang City, Fujian Province, the PRC at 10:00 a.m. on Friday, 11 June 2021
"Articles of Association"	the articles of association of the Company as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), which was formed by a merger of former China Banking Regulatory Commission (中國銀行業監督管理委員會) and former China Insurance Regulatory Commission (中國保險業監督管理委員會) in 2018; or, where the context so requires, China Banking Regulatory Commission
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"Company"	Quanzhou Huixin Micro-credit Co., Ltd.*(泉州匯鑫小額貸款股份有限公司), a joint stock company established in the PRC with limited liability on 8 January 2010 converted from the predecessor company, Quanzhou Licheng District Huixin Microcredit Co., Ltd.* (泉州市鯉城區匯鑫小額貸款有限公司), on 18 August 2014, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code:1577)
"COVID-19"	Coronavirus disease 2019
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC nationals and/or PRC-incorporated entities
"Finance Businesses"	certain other finance-related businesses in which the Substantial Shareholders and their respective close associates had interests, namely, the provision of financing guarantee services through Fujian Baiying Financing Guarantee Co., Ltd.* (福建百應融資擔保股份有限公司), the provision of finance leasing services through Xiamen Baiying Finance Leasing Co., Ltd.* (廈門市百應融資租賃有限公司), the provision of pawn loan services through Xiamen Borong Pawn Co., Ltd.* (廈門博融典當有限公司) and Fujian Yuanheng Pawn Co., Ltd.* (福建元亨典當有限公司), and the provision of microcredit services in Xiamen City through Xiamen Siming Baiying Microcredit Co., Ltd.* (廈門思明百應小額貸款有限公司), and the provision of settlement services, entrusted loans services, loans to and taking deposits from the subsidiaries or associated companies of Fujian Septwolves Group or such other companies as approved by or registered with China Banking Regulatory Commission Fujian Bureau* (中國銀行業監督管理委員會福建監管局) through Fujian Septwolves Group Finance Co., Ltd.* (福建七匹狼集團財務有限公司)

"Fujian" or "Fujian Province"	Fujian Province (福建省), a province located in the southeastern coast of China
"Fujian Haoxiang Gardening"	Fujian Haoxiang Gardening Building Decoration Engineering Co., Ltd.* (福建豪翔園林建設有限責任公司)
"Fujian Huian Haoda"	Fujian Huian Haoda Construction Company Limited* (福建省惠安豪達建設有限公司), formerly known as Fujian Huian Haoda Stoning Company Limited* (福建省惠安豪達石業有限公司)
"Fujian Panpan"	Fujian Panpan Biotech Limited* (福建盼盼生物科技有限公司)
"Fujian Septwolves Group"	Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司)
"Group", "we," "us," or "our"	the Company and its subsidiaries
"HKAS(s)"	Hong Kong Accounting Standards
"HKFRS(s)"	Hong Kong Financial Reporting Standards
"H Share(s)"	overseas listed foreign shares in the share capital of our Group with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
H Share Registrar	Boardroom Share Registrars (HK) Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huixinxing"	Quanzhou Huixinxing Investment Co., Ltd.* (泉州匯鑫行投資有限責任公司) established in the PRC with limited liability on 19 October 2017, a wholly owned subsidiary of the Company
"Independent Third Party(ies)"	(an) individual(s) or (a) company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not (a) connected person(s) of our Group within the meaning of the Listing Rules and are independent of and not connected with the Company and its directors, chief executive, and Substantial Shareholders or any of its subsidiaries or their respective associates

"JJHX"	Jinjiang Huixin Microfinance Co., Ltd.* (晉江市匯鑫小額貸款有限公司), a non-wholly owned subsidiary of the Company, established in the PRC in April 2014
"Lianche"	Quanzhou Lianche Finance Leasing Co., Ltd.* (泉州市連車融資租賃有限公司), an indirectly non-wholly owned subsidiary of the Company, established in the PRC in August 2017
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	30 September 2016, the day on which the H Shares became listed on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Quanzhou" or "Quanzhou City"	Quanzhou City (泉州市), Fujian Province
"Quanzhou Haoxiang"	Quanzhou Haoxiang Stone Co., Ltd.* (泉州豪翔石業有限公司)
"Quanzhou Yuanpeng"	Quanzhou Yuanpeng Clothing and Textile Co., Ltd.* (泉州市遠鵬服飾織造有限公司)
"RMB"	Renminbi, the lawful currency for the time being of the PRC
"Reporting Period"	the period for the year ended 31 December 2020
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	Domestic Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"SMEs"	small and medium-sized enterprise(s)

"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, collectively refers to Fujian Septwolves Group, Mr. Zhou Yongwei and Ms. Chen Pengling
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Wealth Success"	Wealth Success Enterprise Limited (成康企業有限公司)
"Xiamen Gaoxinhong"	Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司)
"Xiamen Sifang"	Xiamen Sifang Jiasheng Trading Company Limited* (廈門四方嘉盛貿易有限公司)

* *for identification purpose only*

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