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Quanzhou Huixin Micro-credit Co., Ltd.*

泉州匯鑫小額貸款股份有限公司

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

(Stock Code: 1577)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Quanzhou Huixin Micro-credit Co., Ltd.* (the “**Company**”) is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Company and its subsidiaries (the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2021, prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) promulgated by the Hong Kong Institute of Certified Public Accountants. The Board and the audit committee of the Company (the “**Audit Committee**”) have reviewed and confirmed the Interim Results. All amounts set out in this announcement are expressed in Renminbi (“**RMB**”) unless otherwise indicated.

INTERIM RESULTS

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

For the six months ended 30 June 2022

(Amounts expressed in RMB unless otherwise stated)

		Six months ended 30 June	
	Notes	2022	2021
		(Unaudited)	(Unaudited)
Interest income	5	68,640,954	66,894,102
Interest expense	5	<u>(1,690,854)</u>	<u>(624,594)</u>
Interest income, net		66,950,100	66,269,508
Impairment losses on loans and accounts receivable, net	6	(12,087,873)	(2,370,821)
Operating and administrative expenses		(11,981,396)	(11,916,389)
Foreign exchange gain/(loss), net		257,951	(63,877)
Net (losses)/gains on financial assets	7	(12,512,676)	4,933,772
Provision for a contingent liability	8	(220,175)	—
Other income and gains, net	9	<u>3,941,853</u>	<u>331,317</u>
PROFIT BEFORE TAX	10	34,347,784	57,183,510
Income tax expense	11	<u>(8,797,075)</u>	<u>(13,783,879)</u>
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>25,550,709</u>	<u>43,399,631</u>
Attributable to:			
Owners of the parent		22,653,848	32,739,134
Non-controlling interests		<u>2,896,861</u>	<u>10,660,497</u>
		<u>25,550,709</u>	<u>43,399,631</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		<u>0.03</u>	<u>0.05</u>
Diluted		<u>0.03</u>	<u>0.05</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

(Amounts expressed in RMB unless otherwise stated)

	<i>Notes</i>	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	14	42,478,498	40,897,950
Financial assets at fair value through profit or loss	15	342,375,713	283,740,839
Loans and accounts receivable	16	857,291,957	983,289,132
Property and equipment	17	10,307,888	11,243,301
Right-of-use assets	18	1,303,838	1,497,770
Goodwill	19	14,729,281	14,729,281
Other intangible assets		747,783	436,981
Deferred tax assets	20	26,963,223	19,568,335
Other assets	21	<u>45,213,090</u>	<u>13,282,285</u>
TOTAL ASSETS		<u>1,341,411,271</u>	<u>1,368,685,874</u>
LIABILITIES			
Interest-bearing bank and other borrowings	22	59,481,798	106,050,796
Financial liabilities at fair value through profit or loss	23	10,575,539	9,975,899
Lease liabilities	18	1,719,144	1,653,649
Income tax payable		3,178,488	15,229,808
Provision	8	12,890,433	12,670,258
Deferred tax liabilities	20	758,226	855,690
Other payables	24	<u>53,712,587</u>	<u>14,705,427</u>
TOTAL LIABILITIES		<u>142,316,215</u>	<u>161,141,527</u>
NET ASSETS		<u>1,199,095,056</u>	<u>1,207,544,347</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	680,000,000	680,000,000
Reserves	26	158,155,618	158,155,618
Retained profits		<u>252,078,489</u>	<u>263,424,641</u>
Equity attributable to owners of the parent		<u>1,090,234,107</u>	1,101,580,259
Non-controlling interests		<u>108,860,949</u>	<u>105,964,088</u>
TOTAL EQUITY		<u>1,199,095,056</u>	<u>1,207,544,347</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Amounts expressed in RMB unless otherwise stated)

	For the six months ended 30 June 2022 (Unaudited)								
	Attributable to owners of the parent								
	Reserves							Non-	
	Share	Capital	Surplus	General	Retained		Total	controlling	Total
	capital	reserve	reserve	reserve	profits			interests	equity
At 1 January 2022 (Audited)	680,000,000	75,390,551	64,963,734	17,801,333	263,424,641	1,101,580,259	105,964,088	1,207,544,347	
Net profit and total comprehensive income for the period	—	—	—	—	22,653,848	22,653,848	2,896,861	25,550,709	
Distribution to shareholders (Note 12)	—	—	—	—	(34,000,000)	(34,000,000)	—	(34,000,000)	
Balance as at 30 June 2022 (Unaudited)	<u>680,000,000</u>	<u>75,390,551</u>	<u>64,963,734</u>	<u>17,801,333</u>	<u>252,078,489</u>	<u>1,090,234,107</u>	<u>108,860,949</u>	<u>1,199,095,056</u>	
	For the six months ended 30 June 2021 (Unaudited)								
	Attributable to owners of the parent								
	Reserves							Non-	
	Share	Capital	Surplus	General	Retained		Total	controlling	Total
	capital	reserve	reserve	reserve	profits			interests	equity
At 1 January 2021 (Audited)	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	
Net profit and total comprehensive income for the period	—	—	—	—	32,739,134	32,739,134	10,660,497	43,399,631	
Appropriation to general reserve	—	—	—	537,669	(537,669)	—	—	—	
Distribution to shareholders	—	—	—	—	(34,000,000)	(34,000,000)	—	(34,000,000)	
Balance as at 30 June 2021 (Unaudited)	<u>680,000,000</u>	<u>69,383,972</u>	<u>60,095,872</u>	<u>16,813,936</u>	<u>259,940,303</u>	<u>1,086,234,083</u>	<u>153,156,077</u>	<u>1,239,390,160</u>	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

(Amounts expressed in RMB unless otherwise stated)

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		34,347,784	57,183,510
Adjustments for:			
Depreciation of property and equipment		935,413	420,626
Depreciation of repossessed assets		40,536	—
Depreciation of right-of-use assets		296,214	382,064
Amortisation of other intangible assets		472,689	332,311
Impairment of loans and accounts receivable		12,087,873	2,370,821
Accreted interest on impaired loans		(8,993,348)	(12,619,171)
Provision for a contingent liability		220,175	—
Foreign exchange (gain)/loss, net		(257,951)	63,877
Loss on disposal of items of property and equipment		—	173,446
Interest expense	5	<u>1,690,854</u>	<u>624,594</u>
(Increase)/decrease in financial assets at fair value through profit or loss		(58,634,874)	95,758,403
Decrease in securities purchased under agreements to re-sell		—	3,800,000
Decrease/(increase) in loans and accounts receivable		122,902,650	(61,965,699)
(Increase)/decrease in other assets		(31,960,066)	28,807,151
Increase in financial liabilities at fair value through profit or loss		599,640	—
Increase/(decrease) in other payables		<u>5,015,649</u>	<u>(9,506,176)</u>
Net cash flows from operating activities before tax		78,763,238	105,825,757
Income tax paid		<u>(28,352,021)</u>	<u>(11,285,079)</u>
Net cash flows from operating activities		<u>50,411,217</u>	<u>94,540,678</u>

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, other intangible assets and other long-term assets		(791,981)	(491,096)
Disposal of items of property and equipment, other intangible assets and other long-term assets		<u>—</u>	<u>1,361,713</u>
Net cash flows (used in)/from investing activities		<u>(791,981)</u>	<u>870,617</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		52,075,265	20,000,000
Repayment of bank borrowings		(98,852,439)	(50,000,000)
Interest paid		(1,429,419)	(640,319)
Repayment of lease liabilities		<u>(90,046)</u>	<u>(311,972)</u>
Net cash flows used in financing activities	27	<u>(48,296,639)</u>	<u>(30,952,291)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		1,322,597	64,459,004
Effect of foreign exchange rate changes, net		<u>28,706,821</u>	<u>19,685,413</u>
		<u>257,951</u>	<u>(63,877)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	14	<u><u>30,287,369</u></u>	<u><u>84,080,540</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

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 period, the principal activity of the Group was the provision of loans to small and medium enterprises ("SMEs"), microenterprises and entrepreneurial individuals, 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		Principal activities and place of operation
				Direct	Indirect	
Quanzhou Huixinxing Investment Co., Ltd.	Quanzhou, China Corporation	RMB 50,000,000	RMB 50,000,000	100%	—	Investment advisory service, Quanzhou
Quanzhou Lianche Finance Leasing Co., Ltd.	Quanzhou, China Corporation	United States dollars ("USD") 10,000,000	USD 10,000,000	—	75.0%	Finance leasing, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd. ("JJHX")	Jinjiang, China Corporation	RMB 320,000,000	RMB 320,000,000	76.8%	—	Provision of micro-credit, Jinjiang
Jinjiang Qiding Building Materials Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Wholesale of building materials, Jinjiang
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Information technology advisory service, Jinjiang

Name	Place of incorporation and kind of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company		Principal activities and place of operation
				Direct	Indirect	
Hong Kong Huixinhang Co., Limited	Hong Kong, China Corporation	Hong Kong dollars (“HKD”) 10,000,000	—	—	100%	Investment advisory service, Hong Kong
Fujian Huichangfu Real Estate Agency Co., Ltd.	Jinjiang, China Corporation	RMB 10,000,000	RMB 500,000	—	100%	Estate brokerage services, Jinjiang
Xiamen Anshenghe Trading Co., Ltd.	Xiamen, China Corporation	RMB 5,078,000	RMB 5,078,000	—	100%	Wholesale, Xiamen
Jinjiang Qinyuan Investment Consulting Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Investment advisory service, Jinjiang

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised HKFRS for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendment to HKFRS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual improvements to HKFRSs 2018–2020</i>	Amendment to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRS is described below:

- (a) Amendments to HKFRS 3 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- 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.

4. SEGMENT REPORTING

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.

Geographical information

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

5. INTEREST INCOME

	Six months ended 30 June	
	2022	2021
Interest income on:		
Loans and accounts receivable	68,640,954	66,894,102
Interest expense on:		
Bank loans	(1,637,595)	(595,458)
Lease liabilities	(53,259)	(29,136)
Interest income, net	<u>66,950,100</u>	<u>66,269,508</u>

6. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLE

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

Six months ended 30 June 2022	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	<u>219,333</u>	<u>(1,589,975)</u>	<u>13,458,515</u>	<u>12,087,873</u>
Total impairment loss	<u>219,333</u>	<u>(1,589,975)</u>	<u>13,458,515</u>	<u>12,087,873</u>
Six months ended 30 June 2021	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	<u>(81,956)</u>	<u>(1,260,765)</u>	<u>3,713,542</u>	<u>2,370,821</u>
Total impairment loss	<u>(81,956)</u>	<u>(1,260,765)</u>	<u>3,713,542</u>	<u>2,370,821</u>

7. NET (LOSSES)/GAINS OF FINANCIAL ASSETS

	Six months ended 30 June	
	2022	2021
Dividend and other income	2,394,660	4,606,813
Net realised (losses)/gains	(197,148)	8,197,638
Unrealised losses	<u>(14,710,188)</u>	<u>(7,870,679)</u>
Total	<u>(12,512,676)</u>	<u>4,933,772</u>

8. PROVISION FOR A CONTINGENT LIABILITY

(a) Provision

	30 June 2022	31 December 2021
Litigation and arbitration	<u>12,890,433</u>	<u>12,670,258</u>

(b) Provision for a contingent liability

	Six months ended 30 June	
	2022	2021
At the beginning of the period	12,670,258	—
Provision for the period	<u>220,175</u>	<u>—</u>
At the end of the period	<u>12,890,433</u>	<u>—</u>

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

In November 2020, the Company was sued by Xiangyu Xinghong, as one of the defendants to fulfill its obligation of capital contribution to Xiangyu Xinghong with an amount of RMB12 million plus interests. As disclosed in note 16, a deposit with an amount of RMB12,191,129 was frozen by the court in 2020.

In November 2021, the court rendered the judgement of the aforesaid civil lawsuit and required the Company to fulfil its capital contribution obligation as a shareholder of Xiangyu Xinghong. In December 2021, the Company appealed to the High People’s Court of Fujian Province (“**Fujian High Court**”) regarding the civil lawsuit.

As the date of approval of the interim condensed consolidated financial information for the six months ended 30 June 2022, the appeal was pending for Fujian High Court ruling.

Based on the assessment of the latest developments in the relevant litigation and arbitration, together with the information currently obtained, the Group made a provision for contingent liabilities amounting to RMB12,890,433 as of 30 June 2022 (31 December 2021: RMB12,670,258) in accordance with the relevant provisions of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

9. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022	2021
Government grants	2,963,513	31,000
Interest from bank deposits	201,046	216,384
Loss on disposal of items of property and equipment	—	(173,446)
Others	777,294	257,379
Total	<u>3,941,853</u>	<u>331,317</u>

10. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
Depreciation and amortization	1,744,852	1,135,001
Staff costs:		
Salaries, bonuses and allowances	5,525,112	6,692,946
Other social welfare	1,118,354	1,076,047
Impairment losses on loans and accounts receivable	12,087,873	2,370,821
Consulting fee	862,162	530,866
Auditor’s remuneration	424,528	424,528

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
Current income tax	16,289,427	17,151,521
Deferred income tax	<u>(7,492,352)</u>	<u>(3,367,642)</u>
Total	<u>8,797,075</u>	<u>13,783,879</u>

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

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

	Six months ended 30 June	
	2022	2021
Profit before tax	34,347,784	57,183,510
Tax at the applicable tax rate of 25%	8,586,946	14,295,877
Lower tax rate for specific provinces or enacted by local authority	270,354	(12,670)
Income not subject to tax	(147,694)	(488,240)
Expenses not deductible for tax purposes	51,886	12,653
Adjustment in respect of current tax of previous periods	48,198	119,002
Effect of change in tax rate on deferred tax	—	(155,720)
Tax losses utilised from previous years	(12,615)	—
Tax losses not recognised	<u>—</u>	<u>12,977</u>
Total tax expense for the period at the Group's effective tax rate	<u>8,797,075</u>	<u>13,783,879</u>

12. DIVIDENDS

A dividend of RMB0.05 per ordinary share in respect of the profit for the year ended 31 December 2021 amounting to RMB34 million was approved at the annual general meeting held on 10 June 2022. The dividend of RMB34 million was undistributed and recorded in other liabilities as at 30 June 2022. Such dividend was distributed on 10 August 2022.

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

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

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

	Six months ended 30 June	
	2022	2021
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>22,653,848</u>	<u>32,739,134</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>680,000,000</u>	<u>680,000,000</u>
Basic and diluted earnings per share	<u>0.03</u>	<u>0.05</u>

14. CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Cash on hand	14,588	26,848
Cash at banks	41,909,757	39,518,381
Cash equivalents	<u>554,153</u>	<u>1,352,721</u>
Cash and cash equivalents in the interim condensed consolidated statement of financial position	42,478,498	40,897,950
Less: restricted current deposit	<u>(12,191,129)</u>	<u>(12,191,129)</u>
Cash and cash equivalents in the statement of cash flow	<u>30,287,369</u>	<u>28,706,821</u>

At the end of the Reporting Period, the cash and bank balances of the Group denominated in USD amounted to RMB5,064,794 (31 December 2021: RMB5,031,683). Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 30 June 2022, restricted current deposit represents deposit frozen by a court in connection with a pending lawsuit as disclosed in note 8.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	30 June 2022	31 December 2021
At fair value through profit or loss			
Wealth management products	<i>(a)</i>	75,599,301	24,324,576
Listed equity investments	<i>(b)</i>	149,793,503	168,204,322
Listed funds		6,038,911	6,776,190
Designated as at fair value through profit or loss	<i>(c)</i>		
Unlisted equity investments and private equity funds		48,722,014	41,235,751
Purchased non-performing loans (“NPLs”)		62,221,984	43,200,000
		<u>342,375,713</u>	<u>283,740,839</u>

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

16. LOANS AND ACCOUNTS RECEIVABLE

	30 June 2022	31 December 2021
Loans receivable	912,542,347	1,043,715,277
Lease receivables	545,435	1,220,260
Less: Unearned finance income	(85,968)	(118,104)
Net lease receivables	459,467	1,102,156
Less: Allowance for impairment		
— Individually assessed	(42,228,271)	(46,676,073)
— Collectively assessed	(13,481,586)	(14,852,228)
Total	<u>857,291,957</u>	<u>983,289,132</u>

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

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 30 June 2022, 27.7% (31 December 2021: 23.3%) of loans receivable were guaranteed loans, and 70.0% (31 December 2021: 71.5%) of loans receivable were collateral-backed loans. As at 30 June 2022, the Group's loans receivable include an amount of RMB39 million (31 December 2021: RMB63 million) to customers for their purpose of purchasing NPLs from asset management companies.

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

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2021	536,222,862	167,292,376	182,980,094	886,495,332
New	2,201,177,471	—	—	2,201,177,471
Derecognised (excluding write-off)	(1,996,731,920)	(23,627,520)	(35,700,452)	(2,056,059,892)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(63,264,636)	63,264,636	—	—
Transfer to Stage 3	(3,325,136)	(53,314,500)	56,639,636	—
Write-off	—	—	(741,114)	(741,114)
Recover of loans and accounts receivable written-off	—	—	13,945,636	13,945,636
At 31 December 2021	<u>674,078,641</u>	<u>153,614,992</u>	<u>217,123,800</u>	<u>1,044,817,433</u>
New	532,340,366	—	—	532,340,366
Derecognised (excluding write-off)	(643,860,441)	(4,472,261)	(6,910,314)	(655,243,016)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(11,054,741)	11,054,741	—	—
Transfer to Stage 3	(5,390,000)	(1,400,000)	6,790,000	—
Written-off	—	—	(8,912,969)	(8,912,969)
At 30 June 2022	<u>546,113,825</u>	<u>158,797,472</u>	<u>208,090,517</u>	<u>913,001,814</u>

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 measurement of expected 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 ECL 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 ECL and forward-looking information.

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2021	3,390,669	14,611,778	34,957,275	52,959,722
Net charge/(reversal) of the impairment	2,158,982	(4,491,072)	8,343,566	6,011,476
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(669,553)	669,553	—	—
Transfer to Stage 3	(22,715)	(4,860,901)	4,883,616	—
Accreted interest on impaired loans	—	—	(15,575,990)	(15,575,990)
Impact on period end ECL of exposures transferred between stages during the period	—	4,065,487	863,084	4,928,571
Write-off	—	—	(741,114)	(741,114)
Recovery of loans and accounts receivable written off	—	—	13,945,636	13,945,636
At 31 December 2021	<u>4,857,383</u>	<u>9,994,845</u>	<u>46,676,073</u>	<u>61,528,301</u>
Net charge/(reversal) of the impairment	350,030	(1,991,520)	11,908,213	10,266,723
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(87,859)	87,859	—	—
Transfer to Stage 3	(42,838)	(106,937)	149,775	—
Accreted interest on impaired loans	—	—	(8,993,348)	(8,993,348)
Impact on period end ECL of exposures transferred between stages during the period	—	420,623	1,400,527	1,821,150
Write-off	—	—	(8,912,969)	(8,912,969)
At 30 June 2022	<u>5,076,716</u>	<u>8,404,870</u>	<u>42,228,271</u>	<u>55,709,857</u>

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

	30 June 2022	31 December 2021
Lease receivables:		
Due within 1 year	452,921	1,096,612
Due in 1 to 2 years	92,514	81,596
Due in 2 to 3 years	—	42,052
	<u>545,435</u>	<u>1,220,260</u>

	30 June 2022	31 December 2021
Net lease receivables:		
Due within 1 year	379,630	1,004,101
Due in 1 to 2 years	79,837	57,624
Due in 2 to 3 years	<u>—</u>	<u>40,431</u>
	<u>459,467</u>	<u>1,102,156</u>

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

17. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:					
At 1 January 2021	6,917,546	1,532,901	2,948,247	2,725,777	14,124,471
Additions	210,734	—	1,115,101	2,555,049	3,880,884
Disposals	<u>—</u>	<u>—</u>	<u>(263,256)</u>	<u>—</u>	<u>(263,256)</u>
At 31 December 2021 and 30 June 2022	<u>7,128,280</u>	<u>1,532,901</u>	<u>3,800,092</u>	<u>5,280,826</u>	<u>17,742,099</u>
Accumulated depreciation:					
At 1 January 2021	24,182	1,376,450	1,475,578	2,725,777	5,601,987
Depreciation charge for the year	339,303	79,806	382,320	333,125	1,134,554
Disposals	<u>—</u>	<u>—</u>	<u>(237,743)</u>	<u>—</u>	<u>(237,743)</u>
At 31 December 2021 Depreciation charge for the period	<u>363,485</u>	<u>1,456,256</u>	<u>1,620,155</u>	<u>3,058,902</u>	<u>6,498,798</u>
At 30 June 2022	<u>532,767</u>	<u>1,532,901</u>	<u>1,893,700</u>	<u>3,474,843</u>	<u>7,434,211</u>
Net carrying amount:					
At 30 June 2022	<u>6,595,513</u>	<u>—</u>	<u>1,906,392</u>	<u>1,805,983</u>	<u>10,307,888</u>
At 31 December 2021	<u>6,764,795</u>	<u>76,645</u>	<u>2,179,937</u>	<u>2,221,924</u>	<u>11,243,301</u>

18. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Leases of properties 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 amount of the Group's right-of-use assets and the movements during the period are as follows:

	Properties
At 1 January 2021	250,181
Additions	2,055,628
Depreciation charge	(803,287)
Termination	<u>(4,752)</u>
At 31 December 2021	1,497,770
Additions	102,282
Depreciation charge	<u>(296,214)</u>
At 30 June 2022	<u><u>1,303,838</u></u>

(b) *Lease liabilities*

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

	Lease liabilities
Carrying amount at 1 January 2021	152,214
New leases	2,055,628
Accretion of interest recognised during the year	25,942
Disposals and others	(20,188)
Payments	<u>(559,947)</u>
Carrying amount at 31 December 2021	1,653,649
New leases	102,282
Accretion of interest recognised during the period	53,259
Payments	<u>(90,046)</u>
Carrying amount at 30 June 2022	<u><u>1,719,144</u></u>

The maturity analysis of lease liabilities is disclosed in note 31 to the interim condensed consolidated financial information.

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

	Six months ended 30 June	
	2022	2021
Interest on lease liabilities	53,259	29,136
Depreciation charge for right-of-use assets	<u>296,214</u>	<u>382,064</u>
 Total amount recognised in profit or loss	 <u><u>349,473</u></u>	 <u><u>411,200</u></u>

(d) The total cash outflow for leases is disclosed in note 27(b) to the interim condensed consolidated financial information. At 30 June 2022, there were no future cash outflows relating to leases that have not yet commenced.

19. GOODWILL

Cost at 1 January 2021, net of accumulated impairment	14,729,281
Impairment during the year	<u>—</u>
 At 31 December 2021	 <u><u>14,729,281</u></u>
 At 31 December 2021	
Cost	16,950,298
Accumulated impairment	<u>(2,221,017)</u>
 Net carrying amount	 <u><u>14,729,281</u></u>
 Cost at 1 January 2022 and 30 June 2022, net of accumulated impairment	 14,729,281
Impairment during the period	<u>—</u>
 At 30 June 2022	 <u><u>14,729,281</u></u>
 At 30 June 2022	
Cost	16,950,298
Accumulated impairment	<u>(2,221,017)</u>
 Net carrying amount	 <u><u>14,729,281</u></u>

20. DEFERRED TAX

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

Gross deferred tax assets

	Impairment allowance on loans	Fair value adjustments of financial assets at fair value through profit or loss	Fair value adjustments of financial liabilities at fair value through profit or loss	Provision for contingent liabilities	Total
At 1 January 2021	7,700,102	3,063,683	—	—	10,763,785
Recognised in profit or loss	<u>3,601,653</u>	<u>2,180,757</u>	<u>282,975</u>	<u>3,167,564</u>	<u>9,232,949</u>
At 31 December 2021	11,301,755	5,244,440	282,975	3,167,564	19,996,734
Recognised in profit or loss	<u>4,411,970</u>	<u>2,920,592</u>	<u>—</u>	<u>55,044</u>	<u>7,387,606</u>
At 30 June 2022	<u><u>15,713,725</u></u>	<u><u>8,165,032</u></u>	<u><u>282,975</u></u>	<u><u>3,222,608</u></u>	<u><u>27,384,340</u></u>

Gross deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss	Total
At 1 January 2021	4,951,836	4,951,836
Recognised in profit or loss	<u>(3,667,747)</u>	<u>(3,667,747)</u>
At 31 December 2021	1,284,089	1,284,089
Recognised in profit or loss	<u>(104,746)</u>	<u>(104,746)</u>
At 30 June 2022	<u><u>1,179,343</u></u>	<u><u>1,179,343</u></u>

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

	30 June 2022	31 December 2021
Net deferred tax assets recognised in the interim condensed consolidated statement of financial position	26,963,223	19,568,335
Net deferred tax liabilities recognised in the interim condensed consolidated statement of financial position	<u>758,226</u>	<u>855,690</u>

The Group has no tax unrecognised losses arising in Mainland China (31 December 2021: RMB546,711) that will expire in one to five years for offsetting against future taxable profits.

21. OTHER ASSETS

	<i>Notes</i>	30 June 2022	31 December 2021
Reposessed assets	<i>(a)</i>	8,652,510	8,693,046
Prepaid tax		18,766	327,789
Deposit payment	<i>(b)</i>	30,600,000	2,600,000
Other receivables		5,766,925	680,267
Deferred and prepaid expenses		<u>174,889</u>	<u>981,183</u>
		<u>45,213,090</u>	<u>13,282,285</u>

- (a) Reposessed assets are properties located at Quanzhou, Fujian Province in the PRC. The contracts to effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2021: RMB8,060,000) have not been obtained because these properties are still under development.
- (b) As at 30 June 2022, deposit payments include deposit paid to the bankruptcy administrators of RMB4,600,000 (31 December 2021: RMB2,000,000) and deposit of purchase a NPL portfolio from a third party of RMB26,000,000 (31 December 2021: Nil).

The bankruptcy administrator of Sichuan Shinpire Ganoderma Incidum Group Co., Ltd initiated a process to publicly solicit investors to participate in the restructuring of the company in November 2021. A deposit of RMB2.6 million were required in order to participate in these processes, which will be returned if the participants did not become the company's investors.

In March 2022, the bankruptcy administrator of Biogrowing Co., Ltd. initiated a process to publicly solicit investors to participate in the restructuring of the company. A deposit of RMB2.0 million was required in order to participate in these processes, which will be returned if the participants did not become the company's investors.

As at 30 June 2022, these transactions were still in progress.

In June 2022, the Group entered into an agreement to purchase a NPL portfolio from a third party and paid a deposit of RMB26,000,000 (31 December 2021: Nil). At the same time, the Group transferred part of the to-be-acquired NPL portfolio to an individual investor and received deposits of RMB5,300,000 as disclosed in note 24.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022	31 December 2021
Guaranteed bank loans repayable:		
Within one year	50,000,000	98,062,500
Margin loans payable:		
Within one year	<u>9,481,798</u>	<u>7,988,296</u>
	<u>59,481,798</u>	<u>106,050,796</u>

As at 30 June 2022, the annual interest rates of the loans above were 5.00% and 5.30% (31 December 2021: 4.50%, 5.00% and 5.30%).

The interest-bearing bank borrowings of RMB50 million as at 30 June 2022 were guaranteed by one of the shareholders of the Company, Fujian Septwolves Group Co., Ltd. (“**Septwolves Group**”).

The margin loans payable of RMB9 million as at 30 June 2022 were secured by the pledge of certain listed equity investments amounting to RMB29,030,884.

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
Designated as at fair value through profit or loss		
Liabilities associated with transferred financial assets that were not derecognised	<u>10,575,539</u>	<u>9,975,899</u>

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

24. OTHER PAYABLES

	<i>Note</i>	30 June 2022	31 December 2021
Dividend payable		34,000,000	—
Payrolls payable		3,519,966	4,381,584
Value-added tax, and surcharges payable		1,638,597	2,434,942
Deposits	(a)	5,400,000	4,910,000
Others		<u>9,154,024</u>	<u>2,978,901</u>
		<u>53,712,587</u>	<u>14,705,427</u>

(a) As at 30 June 2022, the balance includes deposits of RMB5,300,000 (31 December 2021: Nil) received in connection with the transfer of part of the NPL portfolio, as disclosed in note 21(b).

25. SHARE CAPITAL

	30 June 2022	31 December 2021
Issued and fully paid ordinary shares of RMB1 each	<u>680,000,000</u>	<u>680,000,000</u>

26. RESERVES

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

Capital reserve

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

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 their net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

General reserve

In accordance with the relevant regulations, the Company and one of its subsidiaries JJHX are required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets. Such reserve is not available for profit distribution or transfer to capital. As at 30 June 2022, the balance of the general reserve of the Group was RMB17.8 million (31 December 2021: RMB17.8 million), more than 1.5% of its risk assets.

27. NOTE TO THE INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders
At 1 January 2021	50,067,361	152,214	—
Changes from financing cash flows	(30,640,319)	(311,972)	—
New leases	—	396,899	—
Disposals	—	(21,837)	—
2020 final dividends payable	—	—	34,000,000
Interest expense	595,458	29,136	—
At 30 June 2021	<u>20,022,500</u>	<u>244,440</u>	<u>34,000,000</u>

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

(b) Total cash outflow for leases

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

	Six months ended 30 June	
	2022	2021
Within financing activities	<u>90,046</u>	<u>311,972</u>

28. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022	2021
Salaries and other short-term employee benefits	<u>910,060</u>	<u>900,303</u>

(b) Loan guarantee

The interest-bearing bank borrowings of RMB50 million (31 December 2021: RMB98 million) as at 30 June 2022 were guaranteed by Septwolves Group. The guarantee fee of RMB38,396 (six months ended 30 June 2021: RMB245,216) was accrued during the period, which was based on a fixed rate of the balance of the interest-bearing bank borrowings.

(c) Loan facilitation services

During the period, the Group provided loan facilitation services to a related party, Fujian Baiying Pawn Co., Ltd., and received a fee of RMB214,269 (six months ended 30 June 2021: RMB4,680).

(d) Entrust loans

Xiamen Siming Baiying Micro-credit Co., Ltd. (“**Siming Baiying**”) was contracted to manage the administration and collections of the entrusted loans, on behalf of the Group. In this regard, Siming Baiying granted loans to borrowers, as an intermediary, at the direction of the Group. The Group determined both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedule. As at 30 June 2022, the outstanding balance of the loans administered by Siming Baiying was RMB12 million (31 December 2021: Nil).

As at 30 June 2022, the balance due from Siming Baiying was RMB4,948,333, which was arising from collection of an entrusted loan (31 December 2021: Nil). The balance is both unsecured and interest-free.

(e) 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. For the six months ended 30 June 2022, the Group paid Septwolves AMC RMB60,000 (six months ended 30 June 2021: RMB60,000) for the rent.

During the period, a property management fee of RMB60,000 was paid to Xiamen Huakaifugui Property Management Co., Ltd., a subsidiary of Septwolves Group.

29. CONTINGENT LIABILITIES

As at 30 June 2022, there were no significant contingent liabilities except as disclosed in note 8.

30. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	30 June 2022	31 December 2021
Contracted, but not provided for:		
Leasehold Improvements	—	74,037
Software	<u>54,500</u>	<u>204,500</u>
	<u>54,500</u>	<u>278,537</u>

31. 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 at 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:

	30 June 2022					Total
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash Equivalents*	30,287,369	—	—	—	—	30,287,369
Financial assets at fair value through profit or loss	75,599,302	266,776,411	—	—	—	342,375,713
Loans and accounts receivable	—	98,244,882	176,568,135	495,534,380	86,944,560	857,291,957
Other assets	<u>216,706</u>	<u>—</u>	<u>26,198,262</u>	<u>10,143,462</u>	<u>62,706,673</u>	<u>99,265,103</u>
Subtotal	<u>106,103,377</u>	<u>365,021,293</u>	<u>202,766,397</u>	<u>505,677,842</u>	<u>149,651,233</u>	<u>1,329,220,142</u>
Liabilities:						
Interest-bearing bank and other borrowings	—	—	59,481,798	—	—	59,481,798
Financial liabilities at fair value through profit or loss	—	10,575,539	—	—	—	10,575,539
Lease liabilities	—	—	89,528	287,407	1,342,209	1,719,144
Other payables	<u>—</u>	<u>—</u>	<u>50,619,045</u>	<u>955,426</u>	<u>18,965,263</u>	<u>70,539,734</u>
Subtotal	<u>—</u>	<u>10,575,539</u>	<u>110,190,371</u>	<u>1,242,833</u>	<u>20,307,472</u>	<u>142,316,215</u>
Net	<u>106,103,377</u>	<u>354,445,754</u>	<u>92,576,026</u>	<u>504,435,009</u>	<u>129,343,761</u>	<u>1,186,903,927</u>

* Excluding a current deposit in a restricted account.

	31 December 2021					Total
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash Equivalents*	28,706,821	—	—	—	—	28,706,821
Financial assets at fair value through profit or loss	24,324,577	259,416,262	—	—	—	283,740,839
Loans and accounts receivable	—	102,623,681	209,368,086	533,719,364	137,578,001	983,289,132
Other assets	988,596	—	101,011	3,350,654	56,317,692	60,757,953
Subtotal	<u>54,019,994</u>	<u>362,039,943</u>	<u>209,469,097</u>	<u>537,070,018</u>	<u>193,895,693</u>	<u>1,356,494,745</u>
Liabilities:						
Interest-bearing bank and other borrowings	—	—	50,062,500	55,988,296	—	106,050,796
Financial liabilities at fair value through profit or loss	—	9,975,899	—	—	—	9,975,899
Lease liabilities	—	—	130,929	357,458	1,165,262	1,653,649
Other payables	—	—	24,029,416	964,703	18,467,064	43,461,183
Subtotal	<u>—</u>	<u>9,975,899</u>	<u>74,222,845</u>	<u>57,310,457</u>	<u>19,632,326</u>	<u>161,141,527</u>
Net	<u>54,019,994</u>	<u>352,064,044</u>	<u>135,246,252</u>	<u>479,759,561</u>	<u>174,263,367</u>	<u>1,195,353,218</u>

* Excluded current deposit in a restricted account.

32. 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 and other borrowings, lease liabilities and other payables.

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

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

The fair values of unlisted equity investments and private equity funds were determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; making reference to the current market value of another instrument that is substantially the same and net assets referring as much use of

available and supportable market data as possible. The Directors believe that the estimated fair values resulting from the valuation technique, 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:

As at 30 June 2022

	Quoted prices in active markets (Level 1)	Fair value measurement using		
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	<u>231,431,715</u>	<u>—</u>	<u>110,943,998</u>	<u>342,375,713</u>
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>—</u>	<u>10,575,539</u>	<u>10,575,539</u>

As at 31 December 2021

	Quoted prices in active markets (Level 1)	Fair value measurement using		
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	<u>167,221,341</u>	<u>—</u>	<u>116,519,498</u>	<u>283,740,839</u>
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>—</u>	<u>9,975,899</u>	<u>9,975,899</u>

During the six months ended 30 June 2022, financial assets measured at fair value of RMB22,669,624 were transferred from Level 3 to Level 1. There were no significant transfers between level 1 and level 2 (six months ended 30 June 2021: Nil).

Important unobservable input value in fair value measurement of Level 3

As at 30 June 2022	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investments	5,697,024	Adjusted net asset value	Discount for lack of marketability	The lower the discount, the higher the fair value
Private equity funds	43,024,990	Adjusted net asset value	Discount for lack of marketability	The lower the discount, the higher the fair value
Purchased NPLs	62,221,984	Recent transaction price	N/A	N/A
Financial liabilities associated with transferred financial assets that were not derecognised	(10,575,539)	Recent transaction price	N/A	N/A
As at 31 December 2021	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Listed equity investments with disposal restrictions within a specific period	32,083,747	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Unlisted equity investments	6,034,481	Adjusted net asset value	Discount for lack of marketability	The lower the discount, the higher the fair value
Private equity funds	14,201,270	Adjusted net asset value	Discount for lack of marketability	The lower the discount, the higher the fair value
Private equity funds	21,000,000	Recent transaction price	N/A	N/A
Purchased NPLs	43,200,000	Recent transaction price	N/A	N/A
Financial liabilities associated with transferred financial assets that were not derecognised	(9,975,899)	Recent transaction price	N/A	N/A

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

Financial assets at fair value through profit or loss

	2022	2021
At 1 January	116,519,498	19,089,196
Total gains recognised in profit or loss	(1,927,860)	5,938,559
Transfer out	(22,669,624)	—
Purchases	19,021,984	46,200,000
	<u>110,943,998</u>	<u>71,227,755</u>

Financial liabilities at fair value through profit or loss

	2022	2021
At 1 January	(9,975,899)	—
Total gains recognised in profit or loss	—	—
Purchases	(599,640)	—
	<u>(10,575,539)</u>	<u>—</u>

33. EVENTS AFTER THE REPORTING PERIOD

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

34. INTERIM STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS		
Cash and cash equivalents	15,297,475	16,643,082
Financial assets at fair value through profit or loss	2,650,000	—
Loans and accounts receivable	463,697,658	560,318,789
Property and equipment	1,019,336	1,139,466
Right-of-use assets	1,303,838	1,469,268
Investments in subsidiaries	340,888,345	340,888,345
Deferred tax assets	19,467,250	15,036,506
Other assets	<u>274,484,352</u>	<u>217,387,207</u>
TOTAL ASSETS	<u>1,118,808,254</u>	<u>1,152,882,663</u>
LIABILITIES		
Interest-bearing bank borrowings	—	50,062,500
Lease liabilities	1,719,144	1,623,429
Income tax payable	340,547	8,477,376
Provision	12,890,433	12,670,258
Other payables	<u>45,486,402</u>	<u>5,167,790</u>
TOTAL LIABILITIES	<u>60,436,526</u>	<u>78,001,353</u>
NET ASSETS	<u>1,058,371,728</u>	<u>1,074,881,310</u>
EQUITY		
Share capital	680,000,000	680,000,000
Reserves	150,623,973	150,623,973
Retained profits	<u>227,747,755</u>	<u>244,257,337</u>
TOTAL EQUITY	<u>1,058,371,728</u>	<u>1,074,881,310</u>

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

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2021	69,383,972	60,095,872	16,276,267	145,756,111
Appropriation to surplus reserve	—	4,867,862	—	4,867,862
Appropriation to general reserve	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 31 December 2021, 1 January 2022 and 30 June 2022	<u>69,383,972</u>	<u>64,963,734</u>	<u>16,276,267</u>	<u>150,623,973</u>

35. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The interim condensed consolidated financial information has been approved and authorised for issue by the Board on 30 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

Business Overview

Our Group is principally engaged in loan business. We conduct our loan business primarily through the Company and JJHX. Based in Quanzhou city, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2021, according to the statistics of the Fujian Financial Supervision Bureau (福建省地方金融監督管理局). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs.

During the Reporting Period, we generate substantially all of our income by charging interest on the loans extended to our customers. For the six months ended 30 June 2022, the total loans granted to our customers amounted to RMB537.0 million. Our interest income from loans receivable was RMB68.6 million for the six months ended 30 June 2022.

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

	As of 30 June 2022	As of 31 December 2021
Share capital (<i>RMB in millions</i>)	680.0	680.0
Net capital (<i>RMB in millions</i>) ⁽¹⁾	1,199.1	1,207.5
Principal amount of outstanding loans (<i>RMB in millions</i>)	905.8	1,036.6
Loan/net capital ratio ⁽²⁾	0.76 times	0.86 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 divided by our net capital.

Our Loan Business

Loan Portfolio

The principal amount of our outstanding loans decreased from RMB1,036.6 million as of 31 December 2021 to RMB905.8 million as of 30 June 2022, primarily because of the slowdown in local economy growth.

Revolving Loans and Term Loans

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

	As of 30 June 2022		As of 31 December 2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Principal amount of outstanding loans:				
Revolving loans	626,698	69.2	603,680	58.2
Term loans	279,055	30.8	432,958	41.8
Total	905,753	100.0	1,036,638	100.0

Loan portfolio by security

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

	As of 30 June 2022		As of 31 December 2021	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Credit loans	21,000	2.3	53,710	5.2
Guaranteed loans	250,767	27.7	241,503	23.3
Collateral-backed loans				
— with guarantee	425,117	46.9	523,153	50.5
— without guarantee	208,869	23.1	218,272	21.0
Total	905,753	100.0	1,036,638	100.0

Past due loans

The principal amount of our past due loans was RMB132.8 million and RMB118.7 million as of 31 December 2021 and 30 June 2022, respectively, accounting for 12.8% and 13.1% of the total principal amount of our outstanding loans as of the same dates.

We had 25 past due loans with an aggregate amount of RMB132.8 million as of 31 December 2021. As of 30 June 2022, RMB7.2 million of the principal amount of these past due loans as of 31 December 2021 had been settled and RMB8.9 million of the principal amount of these past due loans as of 31 December 2021 had been written off. As of 30 June 2022, the remaining portion of principal amount of past due loans as of 31 December 2021 was RMB116.7 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2021 was RMB19.9 million.

As of 30 June 2022, we had 21 past due loans with an aggregate amount of RMB118.7 million, and our allowance for impairment losses for these past due loans as of the same date was RMB20.4 million.

The principal amount of our past due loans decreased from RMB132.8 million as of 31 December 2021 to RMB118.7 million as of 30 June 2022, mainly because some loans have been settled through the disposal of pledges. Since most of the past due loans were pledged or guaranteed by collaterals, we expect the loss probability of our past due loans is low.

We adopt a loan classification approach to manage our loan portfolio risk. We categorize our loans by reference to the “Five-Tier Principle” set forth in the Guideline for Loan Credit Risk Classification (貸款風險分類指引) issued by the China Banking Regulatory Commission (中國銀行業監督管理委員會), which is transformed into the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會). We make provisions for the anticipated level for loan loss after categorizing the loan

according to the “Five-Tier Principle”. According to the “Five-Tier Principle”, our loans are categorized as “normal”, “special-mention”, “substandard”, “doubtful” or “loss” according to their levels of risk. We consider our “substandard”, “doubtful” and “loss” loans as non-performing loans. The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 30 June 2022		As of 31 December 2021	
	RMB'000	%	RMB'000	%
Normal	542,681	59.9	671,331	64.8
Special-mention	273,982	30.2	262,029	25.3
Substandard	46,561	5.1	47,167	4.6
Doubtful	40,000	4.4	52,736	5.1
Loss	<u>2,529</u>	<u>0.3</u>	<u>3,375</u>	<u>0.2</u>
Total	<u>905,753</u>	<u>100.0</u>	<u>1,036,638</u>	<u>100.0</u>

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 “doubtful” loans decreased from RMB52.7 million as of 31 December 2021 to RMB40.0 million as of 30 June 2022 mainly because RMB8.9 million of principal amount of the past due loans were written off as a results of the increasing credit risk.

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

	As of/For the six months ended 30 June 2022	As of/For the year ended 31 December 2021
	<i>(RMB'000, except for percentage)</i>	
Non-performing loan ratio⁽¹⁾	9.8%	9.9%
Balance of non-performing loans receivable	89,090	103,279
Balance of gross loans receivable	912,542	1,043,415
Allowance coverage ratio⁽²⁾	61.9%	59.3%
Allowance for loans losses⁽³⁾	55,157	61,235
Balance of non-performing loans receivable	89,090	103,279
Provision for impairment losses ratio⁽⁴⁾	6.0%	5.9%
Loss ratio⁽⁵⁾	18.0%	8.0%
Net charge of impairment allowance on loans receivable	12,117	11,175
Interest income	67,230	139,140

Notes:

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

Our non-performing loans receivable decreased from RMB103.3 million as of 31 December 2021 to RMB89.1 million as of 30 June 2022 as a result of the settlement and write-off of some loans. Our non-performing loan ratio were 9.9% and 9.8% as of 31 December 2021 and 30 June 2022, respectively.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2022:

Key requirements

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

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

The 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 provide that: (i) the interest on a loan accruing from the effective date of the loan agreement to 20 August 2020 calculated pursuant to the then judicial interpretation; and (ii) the interest on a loan accruing from 19 August 2020 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.

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

Compliance status

Our Group complied with such requirement for the six months ended 30 June 2022.

Our Group complied with such requirement for the six months ended 30 June 2022.

Our Group complied with such applicable requirement for the six months ended 30 June 2022.

Our Group complied with such requirement for the six months ended 30 June 2022.

Key requirements

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

Upon the listing of the H shares on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 September 2016 (the “**Listing Date**”), 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**”).

Financial Overview

Interest Income, Net

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

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

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Interest income on:		
Loans and accounts receivable	68,641	66,894
Interest expense on:		
Bank loans	(1,638)	(595)
Lease liabilities	<u>(53)</u>	<u>(29)</u>
Interest income, net	<u>66,950</u>	<u>66,270</u>

Compliance status

Our Group complied with such requirement for the six months ended 30 June 2022.

Our Group complied with the Amended 70% Requirement for the six months ended 30 June 2022.

Interest Income

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

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

	For the six months ended	
	30 June	
	2022	2021
Average balance of outstanding performing loans ⁽¹⁾ (RMB'000)	749,348	699,593
Average effective interest rate per annum ⁽²⁾	15.91%	14.92%

Notes:

- (1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the period indicated.
- (2) Calculated by dividing the interest income for the period by the average balance of outstanding performing loans for the period multiplied by two.

Our loan business is primarily funded by our share capital as well as our bank borrowings. Our interest income increased by 2.6% from RMB66.9 million for the six months ended 30 June 2021 to RMB68.6 million for the six months ended 30 June 2022. The average balance of our outstanding performing loans increased by 7.1% from RMB699.6 million for the six months ended 30 June 2021 to RMB749.3 million for the six months ended 30 June 2022. Such increases were primarily because of the increase in the performing loans since we enhanced our approval standard of the loans. For the six months ended 30 June 2021 and 2022, our average effective interest rate per annum increased from 14.9% to 15.9%. Such increase was primarily due to the increase in the interest rate of new loans we granted during the Reporting Period.

Interest Expense

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

	For the six months ended	
	30 June	
	2022	2021
Average balance of bank and other borrowings ⁽¹⁾ (RMB'000)	63,517	25,167
Effective interest rate per annum ⁽²⁾	5.16%	4.73%

Notes:

- (1) Calculated as the average balance of bank and other borrowings at the end of each month for the period indicated.
- (2) Calculated by dividing the interest expense for the period by the average balance of bank and other borrowings for the period multiplied by two.

Our average balance of bank and other borrowings increased from RMB25.2 million as of 30 June 2021 to RMB63.5 million as of 30 June 2022, 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 are evidences of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to minimize difference between loss estimates and actual loss.

Our net charge of impairment allowance on loans and accounts receivable for the six months ended 30 June 2021 and 2022 were RMB2.4 million and RMB12.1 million, respectively. Such increase was primarily due to the increase in provision of loans as a result of the increase in credit risk of the market.

Operating and Administrative Expenses

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

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Tax and surcharges	485	571
Staff costs:		
Salaries, bonuses and allowances	5,525	6,693
Other social welfare	1,118	1,076
Service fees	1,329	995
Depreciation and amortization	1,745	1,135
Others	1,779	1,446
Total operating and administrative expenses	<u>11,981</u>	<u>11,916</u>

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fees, accounted for 4.8% and 4.0% of our operating and administrative expenses for the six months ended 30 June 2021 and 2022, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 65.2% and 55.4% of our operating and administrative expenses for the six months ended 30 June 2021 and 2022, respectively.

Our operating and administrative expenses slightly increased from RMB11.9 million for the six months ended 30 June 2021 to RMB12.0 million for the six months ended 30 June 2022 mainly because of (i) the increase in service charge; (ii) the increase in amortization of intangible assets and deferred and prepaid expenses; and (iii) the decrease in the remuneration and bonus as a results of the impact of the pandemic.

Net Investment Losses

Our net gains of financial assets decreased from RMB4.9 million for the six months ended 30 June 2021 to losses of RMB12.5 million for the six months ended 30 June 2022 mainly due to the fluctuation of the stock price of PRC listed securities we invested resulting in the movement of financial assets held at fair value.

Other Income and Gains, Net

Our net other income and gains consists of interest from bank deposits, government grants, and other gains. Our net other income and gains increased from RMB0.3 million for the six months ended 30 June 2021 to RMB3.9 million for the six months ended 30 June 2022 mainly due to (i) the increase in government grants of RMB3.0 million; and (ii) the increase in other income of RMB0.5 million.

Income Tax Expense

During the six months ended 30 June 2021 and 2022, we were subject to the general tax rate of 25% pursuant to the Enterprise Income Tax Law (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and became effective as from the same day. Our income tax expense for the six months ended 30 June 2021 and 2022 was RMB13.8 million and RMB8.8 million, respectively. Such decrease was primarily because of the decrease in profit before tax. Our effective tax rate was 24.1% and 25.6% for the same period, respectively.

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

Net Profit and Total Comprehensive Income for the Period

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB43.4 million and RMB25.6 million for the six months ended 30 June 2021 and 2022, respectively. The profit attributable to owners of the parent company for the same period was RMB32.7 million and RMB22.7 million, respectively.

Liquidity and Capital Resources

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

Our gearing ratio which presented the percentage of our net debt divided by the aggregate of our capital and net debt, decreased from 5.6% as of 31 December 2021 to 1.5% as of 30 June 2022.

Cash Flows

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

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Net cash flows from operating activities	50,411	94,540
Net cash flows (used in)/from investing activities	(792)	871
Net cash flows used in financing activities	(48,297)	(30,952)
Net increase in cash and cash equivalents	1,322	64,459
Cash and cash equivalents at the beginning of the period	<u>28,707</u>	<u>19,686</u>
Effect of foreign exchange rate changes, net	<u>258</u>	<u>(64)</u>
Cash and cash equivalents at the end of the period	<u>30,287</u>	<u>84,081</u>

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

Net cash flows from operating activities for the six months ended 30 June 2022 was RMB50.4 million. Net cash flows generated from operating activities before working capital adjustment was RMB40.8 million. Cash flows primarily consisted of: (i) the increase in financial assets at fair value through profit or loss of RMB58.6 million; and (ii) the increase in other assets of RMB32.0 million. Cash outflows arising from changes in working capital primarily consisted of: (i) the decrease in loan size resulting in the increase in loans and accounts receivable of RMB122.9 million; (ii) the increase in financial assets at fair value through profit or loss of RMB58.6 million; (iii) the increase in other assets of RMB32.0 million; (iv) the increase in other liabilities of RMB5.0 million; and (v) the increase in financial liabilities at fair value through profit or loss of RMB0.6 million.

Net Cash Flows Used in Investing Activities

For the six months ended 30 June 2022, our net cash flows used in investing activities was RMB0.8 million, which was mainly consisted of the purchase of intangible assets.

Net Cash Flows Used in Financing Activities

For the six months ended 30 June 2022, our net cash flows used in financing activities was RMB48.3 million which consisted of: (i) the repayment of interests on bank borrowings of RMB1.4 million; (ii) the net repayment of bank borrowings of RMB46.8 million; and (iii) the lease payments of RMB0.1 million.

Cash Management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2021 and 30 June 2022, the total cash and cash equivalents amounted to RMB28.7 million and RMB30.3 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected Items of the Statements of Financial Position

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash on hand and cash at banks. As of 31 December 2021 and 30 June 2022, we had cash and cash equivalents of RMB40.9 million and RMB42.5 million, respectively. Such increase in our cash and cash equivalents was primarily due to the decrease in loan size.

Loans and Accounts Receivable

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

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

	As of 30 June 2022 RMB'000	As of 31 December 2021 RMB'000
Net lease receivables	459	1,102
Loans receivable	<u>912,542</u>	<u>1,043,715</u>
Total loans and accounts receivable	<u>913,001</u>	<u>1,044,817</u>
Less: Allowance for impairment losses		
— Individual assessed	(42,228)	(46,676)
— Collective assessed	<u>(13,482)</u>	<u>(14,852)</u>
Total allowance for impairment losses	<u>(55,710)</u>	<u>(61,528)</u>
Net loans and accounts receivable	<u>857,291</u>	<u>983,289</u>

Our net loans and accounts receivable decreased from RMB983.3 million as of 31 December 2021 to RMB857.3 million as of 30 June 2022 primarily because of the impact of pandemic resulting in the increased operational risks of the market, slow growth of national economic, and decreased capital needs of enterprises.

As of 30 June 2022, our maturity profiles within one year and over one year accounted for 88.2% and 11.8% of the total loans receivable, respectively. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 30 June 2022		As of 31 December 2021	
	RMB'000	%	RMB'000	%
Past due	118,691	13.0	132,916	12.7
Due within three months	179,810	19.7	211,285	20.2
Due between three months and six months	152,537	16.7	308,435	29.6
Due between six months and one year	353,781	38.8	236,883	22.7
Due over one year	<u>107,723</u>	<u>11.8</u>	<u>154,196</u>	<u>14.8</u>
Total	<u>912,542</u>	<u>100.0</u>	<u>1,043,715</u>	<u>100.0</u>

Goodwill

Our goodwill remained as RMB14.7 million as of 31 December 2021 and 30 June 2022.

Other Intangible Assets

Other intangible assets slightly increased from RMB0.4 million as of 31 December 2021 to RMB0.7 million as of 30 June 2022, mainly due to the purchase of the intangible assets.

Deferred Tax Assets

The deferred tax assets increased from RMB19.6 million as of 31 December 2021 to RMB27.0 million as of 30 June 2022, mainly due to (i) the increase in deductible temporary differences arising from impairment on loans; and (ii) unrealised losses on financial instruments.

Other Assets

Our other assets increased from RMB13.3 million as of 31 December 2021 to RMB45.2 million as of 30 June 2022 primarily due to the increase in other receivables and deposit payments. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 30 June 2022 RMB'000	As of 31 December 2021 RMB'000
Repossessed assets	8,652	8,693
Prepaid tax	19	328
Deposit payments	30,600	2,600
Other receivables	5,767	680
Deferred and prepaid expenses	175	981
Total other assets	<u>45,213</u>	<u>13,282</u>

Other Payables

Our other payables mainly include value-added tax and surcharges payable, payrolls payable, dividend payable, deposits and others. As of 31 December 2021 and 30 June 2022, our other payables were RMB14.7 million and RMB53.7 million, respectively. Such increase was primarily due to (i) the increase in dividend payable of RMB34.0 million; (ii) the decrease in payrolls payable of RMB0.9 million; and (iii) the increase in other payable of RMB6.2 million to transferee relating to the creditor's rights.

Indebtedness

Interest-bearing Bank Borrowings and other borrowings

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

	As of 30 June 2022 RMB'000	As of 31 December 2021 RMB'000
Guaranteed bank loans	50,000	98,063
Margin loans	<u>9,482</u>	<u>7,988</u>
Total	<u>59,482</u>	<u>106,051</u>

Lease liabilities

Our lease liabilities remained as RMB1.7 million as of 31 December 2021 and 30 June 2022.

Provision for a contingent liability

As of 30 June 2022, we recorded a provision for a liability of RMB12.9 million in relation to a litigation initiated in November 2020. Xiangyu Xinghong, as the plaintiff, claimed that the Company, as one of its shareholders, should fulfill its shareholders obligation and pay the capital contribution and the interest with an aggregate amount of RMB12.9 million, represents 10% equity interest in the Xiangyu Xinghong. Such equity interest in the Xiangyu Xinghong was repossessed by the Company as a settlement of a non-performing loan with carrying amount of RMB12.7 million from a borrower. In November 2021, Xiamen Intermediate People's Court in Fujian Province (福建省廈門市中級人民法院) granted its judgment (the "**Judgement**") in favour of the Xiangyu Xinghong. The Company appealed to Fujian High Court regarding the Judgement in December 2021. As the date of this announcement, the appeal was still pending. For more details, please refer to note 8 to the consolidated financial statements.

Contingent Liabilities

Save as disclosed in this announcement headed "Provision for a contingent liability", we had no significant contingent liabilities as of 30 June 2022.

Capital Expenditures

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

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Capital expenditures		
— Micro-credit business	<u>783</u>	<u>491</u>
Total	<u>783</u>	<u>491</u>

Commitment and Contractual Obligations

Capital Commitments

Our capital commitment, which was contracted but not provided for in the financial statements, was in respect of the development of software and leasehold improvements during the Reporting Period. Our capital commitment was RMB278,537 and RMB54,500 as of 31 December 2021 and 30 June 2022 respectively.

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from mainland China for the six months ended 30 June 2022.

Off-balance Sheet Arrangements

As of 30 June 2022, we did not have any off-balance sheet arrangements.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

There were no material investments (including any investment with a value of 5% or more of the Company's total assets), acquisitions or disposals for the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

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

Save as disclosed above, our Group had no future plans for material investments or external financing as of 30 June 2022.

CHARGE ON OUR GROUP'S ASSETS

As of 30 June 2022, we did not have any charges on our Group's assets.

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2022, our Group had 54 employees, all of whom were based in Fujian province, the PRC. 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 30 June 2022, our Group did not involve in any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Rules Governing the listing of securities on the Stock Exchange (the "**Listing Rules**").

PROSPECTS

In 2022, in terms of the access and approval of the overall credit projects, the Group has continuously adhered to the principle of prudence, small-amount and dispersion. With the means of in-depth tracking of the production and operation of customers, we were able to reasonably manage the use of the loan and repayment plan of our customers and identify potential risks. In terms of personnel, the Company has further optimized the organizational process and streamlined the team's composition structure to enhance the overall operational efficiency. In addition, the Company has been providing both online and offline training to our employee for their motivation. In terms of information system construction, most of the functions has been realized on the mobile phone to facilitate business development and management. The Company will continue to strengthen and improve the functions in the future.

Looking forward, the economy trending is returning to normal as the global economy has significantly increased its resilience to the pandemic. We will continue to adopt a steady development strategy and make efforts to seek opportunities in challenges, so as to return our shareholders and the public while achieving our corporate and social values.

CORPORATE GOVERNANCE

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

UPDATES ON DIRECTORS’ AND SUPERVISORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in information of the Directors and supervisors of the Company since the date of the Board meeting approving the 2021 annual report up to the date of the Board meeting approving this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

Our Group has not purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the note 33 to the interim condensed consolidated financial information in this announcement, no significant event after the Reporting Period needs to be disclosed.

AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Interim Results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qzhuixin.net). The interim report for the six months ended 30 June 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and available on the above websites in due course.

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

Hong Kong, 30 August 2022

As at the date of this announcement, the executive Directors are Mr. WU Zhirui, Mr. ZHOU Yongwei, Mr. YAN Zhijiang and Ms. LIU Aiqin; the non-executive Directors are Mr. JIANG Haiying and Mr. CAI Rongjun; and the independent non-executive Directors are Mr. ZHANG Lihe, Mr. SUN Leland Li Hsun and Mr. LIN Jianguo.

* *For identification purpose only*