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CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

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

HIGHLIGHTS

	Six months ended 30 June		Change %
	2024 <i>RMB'000</i> Unaudited	2023 <i>RMB'000</i> Unaudited	
Operating Results			
Operating income	351,380	317,157	11%
Operating cost	211,488	202,974	4%
Profit attributable to owners of the Company	30,609	27,619	11%
Basic earnings per share (expressed in RMB)	0.028	0.025	12%
	As at 30 June 2024 <i>RMB'000</i> Unaudited	As at 31 December 2023 <i>RMB'000</i> Audited	Change %
Financial Position			
Total assets	3,544,257	3,300,657	7%
Total liabilities	1,369,219	1,135,039	21%
Loans to customers	2,484,041	2,309,546	8%
Cash at bank and cash on hand	124,268	142,427	-13%
Net assets	2,175,038	2,165,618	0%

The board (the “Board”) of directors (the “Directors”) of China Huirong Financial Holdings Limited (the “Company” or “China Huirong”) hereby announces the interim results of the Company and its subsidiaries (together, the “Group” or “we”) for the six months ended 30 June 2024 (the “Reporting Period”) as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	Unaudited	Unaudited
Interest income	6	166,677	128,653
Sales of goods	7	183,556	187,980
Consultancy fee income		989	109
Commission fee income		158	415
		<u>351,380</u>	<u>317,157</u>
Operating income			
Interest expense	8	(29,582)	(17,192)
Costs of sales	7	(181,906)	(185,782)
		<u>(211,488)</u>	<u>(202,974)</u>
Operating cost			
Net investment gains	9	1,218	3,994
Credit impairment losses	10	(46,136)	(39,453)
Other operating income	11	5,548	5,215
		<u>100,522</u>	<u>83,939</u>
Net operating income			
General and administrative expenses		(43,179)	(39,774)
Other (losses)/gains, net	12	(186)	949
		<u>57,157</u>	<u>45,114</u>
Operating profit			
Share of profit of an associate accounted for using the equity method		<u>—</u>	<u>2,134</u>
		<u>57,157</u>	<u>47,248</u>
Profit before income tax			
Income tax expense	13	(14,582)	(10,721)
		<u>42,575</u>	<u>36,527</u>
Profit for the period			

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	Unaudited	Unaudited
Profit for the period is attributable to:			
— Owners of the Company		30,609	27,619
— Non-controlling interests		<u>11,966</u>	<u>8,908</u>
		<u>42,575</u>	<u>36,527</u>
Earnings per share (expressed in RMB)			
— Basic earnings per share	<i>14(a)</i>	<u>0.028</u>	<u>0.025</u>
— Diluted earnings per share	<i>14(b)</i>	<u>0.028</u>	<u>0.025</u>
Other comprehensive income for the period, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>42,575</u>	<u>36,527</u>
Total comprehensive income for the period is attributable to:			
— Owners of the Company		30,609	27,619
— Non-controlling interests		<u>11,966</u>	<u>8,908</u>
		<u>42,575</u>	<u>36,527</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(All amounts in RMB thousands unless otherwise stated)

		As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
	<i>Note</i>		
ASSETS			
Non-current assets			
Property plant and equipment	16	52,582	53,274
Right-of-use assets	17	17,459	15,690
Investments accounted for using the equity method	18	4,122	5,374
Investment properties	19	186,473	186,473
Intangible assets		531	608
Loans to customers	20	223,017	206,970
Finance lease receivables	21	26,536	35,024
Deferred income tax assets	22	95,386	93,720
Other non-current assets		<u>2,916</u>	<u>1,639</u>
Total non-current assets		<u>609,022</u>	<u>598,772</u>
Current assets			
Inventories		1,979	1,412
Other current assets		57,899	70,135
Commission fee receivables		73	15
Loans to customers	20	2,261,024	2,102,576
Financial assets held under resale agreement		301,574	200,015
Finance lease receivables	21	78,111	69,729
Financial assets at fair value through profit or loss	23	110,307	115,576
Cash at bank and cash on hand	24	<u>124,268</u>	<u>142,427</u>
Total current assets		<u>2,935,235</u>	<u>2,701,885</u>
Total assets		<u>3,544,257</u>	<u>3,300,657</u>

		As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	8,662	8,662
Share premium	26	604,478	604,478
Other reserves	26	587,239	587,239
Retained earnings		<u>693,364</u>	<u>682,650</u>
		1,893,743	1,883,029
Non-controlling interests		<u>281,295</u>	<u>282,589</u>
Total equity		<u>2,175,038</u>	<u>2,165,618</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	17	2,908	1,325
Borrowings	27	383,100	351,600
Deferred income tax liabilities	22	<u>22,889</u>	<u>22,036</u>
Total non-current liabilities		<u>408,897</u>	<u>374,961</u>
Current liabilities			
Other current liabilities	28	157,017	146,171
Current income tax liabilities		18,953	26,380
Amounts due to related parties		633	633
Dividends payable		1,261	2,161
Lease liabilities	17	2,993	2,114
Borrowings	27	<u>779,465</u>	<u>582,619</u>
Total current liabilities		<u>960,322</u>	<u>760,078</u>
Total liabilities		<u>1,369,219</u>	<u>1,135,039</u>
Total equity and liabilities		<u>3,544,257</u>	<u>3,300,657</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the “Company”) was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (hereinafter collectively referred to as the “Ultimate Shareholders”).

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in lending services through granting secured and unsecured loans to customers in the People’s Republic of China (the “PRC”).

On 28 October 2013, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited.

This interim condensed consolidated financial information has been approved and authorised for issue by the Board on 28 August 2024.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2024 and has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcement made by the Company during the six months ended 30 June 2024.

The Group continues to adopt the going concern basis in preparing its interim condensed consolidated financial information.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the consolidated financial statements for the year ended 31 December 2023.

3.1 Amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3.2 Impact of standards issued but not yet applied by the Group

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit

or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates its critical accounting estimates and judgements applied based on historical experience and other factors, including reasonable expectations of future events.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

5. SEGMENT INFORMATION

The Board is the Group's chief operating decision-maker, which assesses the financial performance and position of the Group and makes strategic decisions.

The Group manages its business under two operating and reportable segments for the six months ended 30 June 2024 (2023: same).

(a) Business segments

From business perspective, the Group provides services through two main business segments listed below:

Inclusive finance business division: The inclusive finance business division mainly refers to provision of lending services in the PRC. From a product perspective, the inclusive finance business division principally engaged in lending services through granting secured loans and unsecured loans to customers.

Ecology finance business division: The division mainly dedicates services to supply chain, loan facilitation technology, factoring, insurance agency, financial leasing, special assets investment and equity investment business.

(b) Segment analysis

The profit or loss before income tax for each reportable segment including incomes and expenses from external transactions and from transactions with other segments, and other items in the interim condensed consolidated statement of comprehensive income are allocated based on the operations of the segment.

Segment assets and segment liabilities are measured in the same way as in the interim condensed consolidated statement of financial position. These assets and liabilities are allocated based on the operations of the segment.

Six months ended 30 June 2024

Unaudited	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	117,293	227,147	6,940	—	351,380
Internal operating income	—	151	4,032	(4,183)	—
External operating cost	(6,752)	(194,571)	(10,165)	—	(211,488)
Internal operating cost	(3,760)	(392)	—	4,152	—
Net investment (losses)/gains	—	(3)	1,221	—	1,218
Credit impairment (losses)/gains	(41,218)	(6,879)	1,961	—	(46,136)
Other operating income	156	3,348	5,995	(3,951)	5,548
General and administrative expenses	(18,897)	(5,236)	(23,028)	3,982	(43,179)
Other gains/(losses), net	—	80	(266)	—	(186)
Share of profit of an associate accounted for using the equity method	—	—	—	—	—
Profit/(losses) before income tax	<u>46,822</u>	<u>23,645</u>	<u>(13,310)</u>	<u>—</u>	<u>57,157</u>
Capital expenditure	<u>(468)</u>	<u>(19)</u>	<u>(6,094)</u>	<u>—</u>	<u>(6,581)</u>

As at 30 June 2024

Unaudited	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
Segment assets	<u>1,620,257</u>	<u>1,354,640</u>	<u>570,753</u>	<u>(1,393)</u>	<u>3,544,257</u>
Segment liabilities	<u>(287,941)</u>	<u>(650,246)</u>	<u>(432,509)</u>	<u>1,477</u>	<u>(1,369,219)</u>

Six months ended 30 June 2023

Unaudited	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	105,975	205,941	5,241	—	317,157
Internal operating income	64	261	6,449	(6,774)	—
External operating cost	(4,799)	(189,293)	(8,882)	—	(202,974)
Internal operating cost	(3,339)	(3,881)	—	7,220	—
Net investment gains	1	304	3,689	—	3,994
Credit impairment (losses)/gains	(40,863)	(1,186)	2,596	—	(39,453)
Other operating income	955	2,930	5,524	(4,194)	5,215
General and administrative expenses	(16,109)	(4,798)	(22,615)	3,748	(39,774)
Other gains, net	59	—	890	—	949
Share of profit of a joint venture accounted for using the equity method	—	2,134	—	—	2,134
Profit/(loss) before income tax	<u>41,944</u>	<u>12,412</u>	<u>(7,108)</u>	<u>—</u>	<u>47,248</u>
Capital expenditure	<u>(1,012)</u>	<u>(19)</u>	<u>(13,159)</u>	<u>—</u>	<u>(14,190)</u>

As at 31 December 2023

Audited	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
Segment assets	1,631,667	1,208,238	461,597	(845)	3,300,657
Segment liabilities	<u>(276,529)</u>	<u>(507,296)</u>	<u>(352,144)</u>	<u>930</u>	<u>(1,135,039)</u>

6. INTEREST INCOME

Six months ended 30 June

2024 2023

Unaudited Unaudited

Interest income from loans to customers		
— Secured loans	96,718	82,639
— Unsecured loans	48,155	43,125
Interest income from financial assets held under resale agreement	16,524	—
Interest income from finance leases	4,771	43
Interest income from bank deposits	509	2,846
	<u>166,677</u>	<u>128,653</u>

7. SALES OF GOODS AND COSTS OF SALES

The goods sold mainly contain electronic products and daily groceries.

8. INTEREST EXPENSE

Six months ended 30 June

2024 2023

Unaudited Unaudited

Interest expense on bank borrowings	15,268	12,302
Interest expense on micro-finance company borrowings	3,900	2,033
Interest expense on other borrowings	10,075	2,432
Other interest expenses	339	425
	<u>29,582</u>	<u>17,192</u>

9. NET INVESTMENT GAINS

Six months ended 30 June

2024 2023

Unaudited Unaudited

Fair value (losses)/gains		
— financial assets at fair value through profit or loss	(516)	5,608
Net gains/(losses) from disposal of financial assets	1,734	(1,937)
Others	—	323
	<u>1,218</u>	<u>3,994</u>

10. CREDIT IMPAIRMENT LOSSES

Six months ended 30 June

2024 2023

Unaudited Unaudited

Credit impairment losses on loans to customers	40,495	39,371
Credit impairment losses on finance lease receivables	2,276	—
Credit impairment losses on other current assets	—	82
Credit impairment losses on financial assets held under resale agreement	3,365	—
	<u>46,136</u>	<u>39,453</u>

11. OTHER OPERATING INCOME

Six months ended 30 June

2024 2023

Unaudited Unaudited

Net (losses)/gains from disposal of repossessed assets	(127)	1,015
Rental income	4,971	3,681
Others	704	519
	<u>5,548</u>	<u>5,215</u>

12. OTHER (LOSSES)/GAINS, NET

Six months ended 30 June

2024 2023

Unaudited Unaudited

Net foreign currency (losses)/gains	(266)	880
Government grants	80	69
	<u>(186)</u>	<u>949</u>

13. INCOME TAX EXPENSE

Six months ended 30 June

2024 2023

Unaudited Unaudited

Current income tax	15,395	18,143
Deferred income tax	(813)	(7,422)
	<u>14,582</u>	<u>10,721</u>

The difference between the income tax expense in the interim condensed consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
Profit before income tax	<u>57,157</u>	<u>47,248</u>
Tax calculated at domestic tax rates applicable to profits in the respective areas	14,489	11,762
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	415	57
— Sundry items	<u>(1,555)</u>	<u>(1,019)</u>
Subtotal	<u>(1,140)</u>	<u>(962)</u>
Unused tax losses for which no deferred tax asset has been recognised	1,594	596
Previously unrecognised tax losses now recouped to reduce current income tax	(853)	(675)
PRC withholding tax	3,500	—
Others	<u>(3,008)</u>	<u>—</u>
Income tax expense	<u>14,582</u>	<u>10,721</u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in the British Virgin Islands are not subject to any income tax according to relevant rules and regulations.

The applicable Hong Kong profits tax rate is 16.5% (2023: 16.5%) on the assessable profits earned or derived in Hong Kong for the six months ended 30 June 2024.

According to the Corporate Income Tax Law of the PRC (the “CIT Law”), the income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate of 25% (2023: 25%) on the estimated assessable profits based on existing legislations, interpretations and practices.

For small and micro enterprises with annual taxable income less than RMB1 million, the income tax provision is calculated at the applicable corporate tax rate of 20% (2023: 20%) on 25% (2023: 25%) of the taxable income amount, and for those with annual taxable income more than RMB1 million but less than RMB3 million, the income tax provision is calculated at the applicable corporate tax rate of 20% (2023: 20%) on 25% (2023: 25%) of the taxable income amount.

Pursuant to the CIT Law, a 5% (2023: 5%) withholding tax is levied on the dividends declared to the investors certified as Hong Kong resident enterprises from companies established in Mainland China and a 10% (2023:10%) withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China.

14. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
Profit for the period attributable to owners of the Company	<u>30,609</u>	<u>27,619</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>1,090,335</u>	<u>1,090,335</u>
Basic earnings per share (RMB)	<u><u>0.028</u></u>	<u><u>0.025</u></u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share is same as the basic earnings per share for the six months ended 30 June 2024 and 2023 as the Group has no category of dilutive potential ordinary shares in issue.

15. DIVIDENDS

A dividend of HK\$0.02 per ordinary share in respect of the year ended 31 December 2023 was declared at the annual general meeting of the Company held on 28 May 2024. It was determined that such dividend would be paid out of the retained earnings account. Based on the total number of ordinary shares of 1,090,335 thousand outstanding on 31 December 2023, a total dividend of HK\$21.8 million (equivalent to RMB19.8 million) was paid out by the Company on 28 June 2024.

A dividend of HK\$0.03 per ordinary share in respect of the year ended 31 December 2022 was declared at the annual general meeting of the Company held on 12 June 2023. It was determined that such dividend would be paid out of the retained earnings account. Based on the total number of ordinary shares of 1,090,335 thousand outstanding on 31 December 2022, a total dividend of HK\$32.7 million (equivalent to RMB29.2 million) was paid out by the Company on 7 July 2023.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings Unaudited	Vehicles Unaudited	Electronics and other equipment Unaudited	Total Unaudited
Cost				
At 1 January 2024	51,484	620	7,970	60,074
Additions	<u>—</u>	<u>—</u>	<u>503</u>	<u>503</u>
At 30 June 2024	<u>51,484</u>	<u>620</u>	<u>8,473</u>	<u>60,577</u>
Accumulated depreciation				
At 1 January 2024	(1,850)	(252)	(4,698)	(6,800)
Additions	<u>(450)</u>	<u>(74)</u>	<u>(671)</u>	<u>(1,195)</u>
At 30 June 2024	<u>(2,300)</u>	<u>(326)</u>	<u>(5,369)</u>	<u>(7,995)</u>
Carrying amount				
At 30 June 2024	<u>49,184</u>	<u>294</u>	<u>3,104</u>	<u>52,582</u>
	Audited	Audited	Audited	Audited
At 31 December 2023	<u>49,634</u>	<u>368</u>	<u>3,272</u>	<u>53,274</u>

17. LEASES

This note provides information for leases where the Group is a lessee.

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Right-to-use assets		
Land-use rights (<i>note (a)</i>)	11,745	11,916
Properties	<u>5,714</u>	<u>3,774</u>
	<u>17,459</u>	<u>15,690</u>
Lease liabilities		
Current	2,993	2,114
Non-current	<u>2,908</u>	<u>1,325</u>
	<u>5,901</u>	<u>3,439</u>

Note:

- (a) As at 30 June 2024, land-use rights are pledged with banks to secure non-current bank borrowings with principal amount of RMB184.0 million (31 December 2023: RMB189.0 million) (note 27(a)).

The movement of right-of-use assets is as follows:

	Land-use rights Unaudited	Properties Unaudited	Total Unaudited
Cost			
At 1 January 2024	15,246	16,413	31,659
Additions	—	3,639	3,639
Deductions	—	(356)	(356)
At 30 June 2024	<u>15,246</u>	<u>19,696</u>	<u>34,942</u>
Accumulated depreciation			
At 1 January 2024	(3,330)	(12,639)	(15,969)
Additions	(171)	(1,699)	(1,870)
Deductions	—	356	356
At 30 June 2024	<u>(3,501)</u>	<u>(13,982)</u>	<u>(17,483)</u>
Carrying amount			
At 30 June 2024	<u>11,745</u>	<u>5,714</u>	<u>17,459</u>
	Audited	Audited	Audited
At 31 December 2023	<u>11,916</u>	<u>3,774</u>	<u>15,690</u>

For short-term lease and low-value asset lease, the Group chooses not to recognise the right-of-use assets and lease liabilities.

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 4 June 2018, the Group acquired 7.5% of the equity interests in Shenzhen Zuanying Internet Co., Ltd. (深圳鑽盈互聯網絡有限公司), for a cash consideration of RMB1.5 million.

The Group invested RMB16.0 million to set up Suzhou Cibe Management Consulting Partnership (LP) (蘇州次貝企業管理諮詢合夥企業(有限合夥)) (“Suzhou Cibe”) together with another party and obtained 90% of the equity interest of Suzhou Cibe in 2021. According to the Partnership Agreement, the operating decisions of the partnership shall be unanimously agreed by both partners. Therefore, the Group has joint control over Suzhou Cibe and the investment is accounted for using the equity method of accounting.

The carrying amount of equity-accounted investments has changed as follows in the six months ended 30 June 2024:

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
At 1 January	5,374	26,005
Deductions	(1,252)	(17,071)
Profit for the period	—	2,134
Dividend received	—	(2,134)
	<u>—</u>	<u>(2,134)</u>
At 30 June	<u>4,122</u>	<u>8,934</u>

19. INVESTMENT PROPERTIES

	Six months ended 30 June 2024		
	Unaudited		
	Zhonghui Financial Building	Other	Total
	<i>(notes (a), (b))</i>		
At fair value			
At 1 January	<u>184,793</u>	<u>1,680</u>	<u>186,473</u>
At 30 June	<u>184,793</u>	<u>1,680</u>	<u>186,473</u>

Notes:

- (a) The investment property is a self-constructed building, named Zhonghui Financial Building. Part of the building is held by the Group for long-term rental yields through renting it to external parties as commercial and office property, and is measured at fair value. The fair value of the building as at 30 June 2024 almost has no change from 31 December 2023.
- (b) As at 30 June 2024, the investment property named Zhonghui Financial Building is pledged with banks to secure non-current bank borrowings with principal amount of RMB184.0 million (31 December 2023: RMB189.0 million), which is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building (note 27(a)).

20. LOANS TO CUSTOMERS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Non-current		
Loans to customers, gross		
Unsecured loans	227,786	211,344
— Guaranteed loans	227,786	211,344
Less: ECL allowances	(4,769)	(4,374)
Loans to customers, net	223,017	206,970
Current		
Loans to customers, gross		
Secured loans	1,980,965	1,842,019
— Real estate backed loans	1,672,654	1,536,177
— Movable property backed loans	308,311	305,842
Unsecured loans	1,117,312	1,050,815
— Equity interest backed loans	528,427	373,041
— Guaranteed loans	323,661	293,917
— Other unsecured loans	265,224	383,857
	3,098,277	2,892,834
Less: ECL allowances		
Secured loans	(564,019)	(525,812)
Unsecured loans	(273,234)	(264,446)
	(837,253)	(790,258)
Loans to customers, net	2,261,024	2,102,576

Loans to customers arise from the Group's lending services. The current loan periods granted to customers are within one year. The terms of non-current loans granted to customers are between two to five years.

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.0% to 24.0% per annum for the six months ended 30 June 2024 (31 December 2023: same). Movable property backed loans granted to customers bear fixed interest rates from 8.0% to 54.0% per annum for the six months ended 30 June 2024 (31 December 2023: same). Guaranteed loans granted to customers bear fixed interest rates from 5.5% to 18.0% per annum for the six months ended 30 June 2024 (31 December 2023: same). Other unsecured loans granted to customers bear fixed interest rates from 8.0% to 16.0% per annum for the six months ended 30 June 2024 (31 December 2023: same).

As at 30 June 2024, renewed loans amounted to RMB307.5 million (31 December 2023: RMB342.2 million), which include real estate backed loans, equity interest backed loans and guaranteed loans (31 December 2023: same).

(a) Aging analysis of loans to customers

The aging of the loans to customers is calculated starting from the original granting date without considering the subsequent renewal of the loans. The aging analysis of loans to customers net of ECL allowances is set out below:

Unaudited	As at 30 June 2024		Total
	Secured loans	Unsecured loans	
Non-current			
Within 3 months	—	42,298	42,298
3–6 months	—	53,624	53,624
6–12 months	—	46,186	46,186
12–24 months	—	80,909	80,909
	<u>—</u>	<u>223,017</u>	<u>223,017</u>

Unaudited	As at 30 June 2024		Total
	Secured loans	Unsecured loans	
Current			
Within 3 months	259,893	278,433	538,326
3–6 months	272,669	201,941	474,610
6–12 months	319,427	117,008	436,435
12–24 months	160,643	15,708	176,351
Over 24 months	7,598	144,773	152,371
Past due (<i>note (i)</i>)	396,716	86,215	482,931
	<u>1,416,946</u>	<u>844,078</u>	<u>2,261,024</u>

Audited	As at 31 December 2023		Total
	Secured loans	Unsecured loans	
Non-current			
Within 3 months	—	37,224	37,224
3–6 months	—	13,747	13,747
6–12 months	—	79,549	79,549
12–24 months	—	48,676	48,676
Over 24 months	—	27,774	27,774
	<u>—</u>	<u>206,970</u>	<u>206,970</u>

Audited	As at 31 December 2023		
	Secured loans	Unsecured loans	Total
Current			
Within 3 months	274,674	203,631	478,305
3–6 months	296,519	203,471	499,990
6–12 months	302,958	132,577	435,535
12–24 months	99,000	26,614	125,614
Over 24 months	6,273	126,092	132,365
Past due (<i>note (i)</i>)	<u>336,783</u>	<u>93,984</u>	<u>430,767</u>
	<u>1,316,207</u>	<u>786,369</u>	<u>2,102,576</u>

Note:

- (i) Past due loans to customers net of ECL allowances

Unaudited	As at 30 June 2024		
	Secured loans	Unsecured loans	Total
Past due within three months	49,329	23,097	72,426
Past due between three months and one year	54,947	60,725	115,672
Past due between one year and three years	24,379	1,406	25,785
Past due over three years	<u>268,061</u>	<u>987</u>	<u>269,048</u>
	<u>396,716</u>	<u>86,215</u>	<u>482,931</u>

Audited	As at 31 December 2023		
	Secured loans	Unsecured loans	Total
Past due within three months	27,713	84,948	112,661
Past due between three months and one year	40,160	1,765	41,925
Past due between one year and three years	10,738	6,224	16,962
Past due over three years	<u>258,172</u>	<u>1,047</u>	<u>259,219</u>
	<u>336,783</u>	<u>93,984</u>	<u>430,767</u>

21. FINANCE LEASE RECEIVABLES

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Undiscounted lease payments are analysed as:		
Recoverable after 12 months	29,585	39,162
Recoverable within 12 months	<u>87,819</u>	<u>78,069</u>
	<u>117,404</u>	<u>117,231</u>

The following table shows the maturity analysis of undiscounted lease payments to be received:

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Less than one year	87,819	78,069
One to two years	23,814	26,063
Two to three years	<u>5,771</u>	<u>13,099</u>
Total undiscounted lease payments	117,404	117,231
Less: Unearned finance income	<u>(7,215)</u>	<u>(9,212)</u>
	110,189	108,019
Less: ECL allowances	<u>(5,542)</u>	<u>(3,266)</u>
Net investments in finance leases	<u>104,647</u>	<u>104,753</u>
Analysed as:		
Non-current	26,536	35,024
Current	<u>78,111</u>	<u>69,729</u>
	<u>104,647</u>	<u>104,753</u>

The Group's finance lease receivables are all denominated in RMB.

The Group entered into finance leases as a lessor for certain equipment and machinery to its lessees. The term of finance leases entered into ranges from 1 to 3 years (31 December 2023: 1 to 3 years).

Residual value risk on the finance leases is not significant because of the existence of a secondary market with respect to the equipment and machinery.

The Group's finance lease do not include variable payments.

The average effective interest rate contracted is 12.66% per annum (31 December 2023: 13.94% per annum).

22. DEFERRED INCOME TAX

(a) Deferred income tax assets

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
The balance comprises temporary differences attributable to:		
ECL allowances charge on financial assets	95,772	93,879
Recoverable tax losses	<u>2,442</u>	<u>3,522</u>
Total deferred income tax assets	<u>98,214</u>	<u>97,401</u>
Offsetting of deferred income tax liabilities pursuant to off-setting provisions	<u>(2,828)</u>	<u>(3,681)</u>
Net deferred income tax assets	<u><u>95,386</u></u>	<u><u>93,720</u></u>

The movement in deferred income tax assets for the six months ended 30 June 2024, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Unaudited	ECL allowances charge on financial assets	Net losses from financial instruments at fair value through profit or loss	Recoverable tax losses	Total
At 1 January 2023	85,525	981	6,151	92,657
Credited/(charged) to the consolidated statement of comprehensive income	<u>10,064</u>	<u>(981)</u>	<u>(1,443)</u>	<u>7,640</u>
At 30 June 2023	<u><u>95,589</u></u>	<u><u>—</u></u>	<u><u>4,708</u></u>	<u><u>100,297</u></u>
At 1 January 2024	93,879	—	3,522	97,401
Credited/(charged) to the consolidated statement of comprehensive income	<u>1,893</u>	<u>—</u>	<u>(1,080)</u>	<u>813</u>
At 30 June 2024	<u><u>95,772</u></u>	<u><u>—</u></u>	<u><u>2,442</u></u>	<u><u>98,214</u></u>

As at 30 June 2024, it is estimated that deferred income tax assets will be reversed over one year (31 December 2023: same).

(b) **Deferred income tax liabilities**

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
The balance comprises temporary differences attributable to:		
Net gains from investment properties	23,300	23,300
Net gains from financial instruments at fair value through profit or loss	<u>2,417</u>	<u>2,417</u>
Total deferred income tax liabilities	<u>25,717</u>	<u>25,717</u>
Offsetting of deferred income tax assets pursuant to off-setting provisions	<u>(2,828)</u>	<u>(3,681)</u>
Net deferred income tax liabilities	<u>22,889</u>	<u>22,036</u>

The movement in deferred income tax liabilities for the six months ended 30 June 2024, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Unaudited	Net gains from investment properties	Net gains from financial instruments at fair value through profit or loss	Total
At 1 January 2023	24,925	685	25,610
Charged to the consolidated statement of comprehensive income	<u>—</u>	<u>218</u>	<u>218</u>
At 30 June 2023	<u>24,925</u>	<u>903</u>	<u>25,828</u>
At 1 January 2024	23,300	2,417	25,717
Charged to the consolidated statement of comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2024	<u>23,300</u>	<u>2,417</u>	<u>25,717</u>

As at 30 June 2024, it is estimated that deferred income tax liabilities will be reversed over one year (31 December 2023: same).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Equity securities	90,140	95,148
Structured deposits (<i>notes (a), (b)</i>)	<u>20,167</u>	<u>20,428</u>
	<u>110,307</u>	<u>115,576</u>

- (a) The interest rates of structured deposits are correlated to the foreign exchange rates agreed with respective banks.
- (b) As at 30 June 2024, structured deposits with principal amount of RMB20.0 million (31 December 2023: RMB20.0 million) have been pledged with a bank to secure borrowings with principal amount of RMB19.0 million (31 December 2023: RMB20.0 million) (note 27(b)).

24. CASH AT BANK AND CASH ON HAND

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Cash on hand	1,658	1,632
Demand deposits with banks	119,921	135,040
Deposits with securities company	395	602
Interest receivable from bank deposits	165	513
Term deposits with banks with original maturities over 3 months, net	2,129	4,640
<i>Term deposits with banks with original maturities over 3 months, gross</i>	2,293	4,804
<i>Less: ECL allowances</i>	(164)	(164)
	<u>124,268</u>	<u>142,427</u>

Cash at bank and cash on hand are denominated in the following currencies:

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
RMB	117,674	138,198
US dollar	154	3,687
Hong Kong dollar	<u>6,440</u>	<u>542</u>
	<u>124,268</u>	<u>142,427</u>

Cash and cash equivalents of the Group are determined as follows:

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Cash at bank and cash on hand	124,268	142,427
Less: Interest receivable from bank deposits	(165)	(513)
Unrestricted term deposits pledged with banks with original maturities over 3 months	<u>(2,129)</u>	<u>(4,640)</u>
	<u>121,974</u>	<u>137,274</u>

25. SHARE CAPITAL

	Number of shares	Ordinary shares HK\$	Ordinary shares RMB
Issued and fully paid:			
Unaudited			
As at 30 June 2024	<u>1,090,335,000</u>	<u>10,903,350</u>	<u>8,622,017</u>
Audited			
As at 31 December 2023	<u>1,090,335,000</u>	<u>10,903,350</u>	<u>8,662,017</u>

There are no movements in ordinary shares during the period.

26. SHARE PREMIUM AND OTHER RESERVES

	<u>Other reserves</u>					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share- based payments reserve	
Unaudited						
At 1 January 2024 and 30 June 2024	<u>604,478</u>	<u>498,574</u>	<u>77,715</u>	<u>4,417</u>	<u>6,533</u>	<u>1,191,717</u>

27. BORROWINGS

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Non-current		
Bank borrowings (<i>note (a)</i>)	<u>383,100</u>	<u>351,600</u>
Current		
Bank borrowings (<i>note (b)</i>)	390,166	300,654
Borrowings from other companies (<i>note (c)</i>)	157,850	92,115
Borrowings from micro-finance companies (<i>note (d)</i>)	119,990	110,000
Borrowings from the Group's employees (<i>note (e)</i>)	<u>111,459</u>	<u>79,850</u>
	<u>779,465</u>	<u>582,619</u>
	<u><u>1,162,565</u></u>	<u><u>934,219</u></u>

The Group's borrowings are all denominated in RMB.

Notes:

- (a) As at 30 June 2024, non-current bank borrowing with principal amount of RMB184.0 million (31 December 2023: RMB189.0 million) bears a fixed interest rate of 4.3% per annum (31 December 2023: 4.3% per annum), with Zhonghui Financial Building as the pledge. It is repaid in a scheduled instalments within 12 years (note 19).

As at 30 June 2024, non-current bank borrowing with principal amount of RMB70.0 million (31 December 2023: RMB80.0 million) bears a fixed interest rate of 4.2% per annum (31 December 2023: 4.2% per annum). It is secured by all shares of a subsidiary of the Group and guaranteed by two subsidiaries of the Group. It is repaid in a scheduled instalments within 4 years.

As at 30 June 2024, non-current bank borrowing with principal amount of RMB57.0 million (31 December 2023: RMB Nil) bears a fixed interest rate of 3.25% per annum (31 December 2023: not applicable). It is guaranteed by a subsidiary of the Group. It is repaid in a scheduled instalments within 10 years.

As at 30 June 2024, non-current bank borrowings with total principal amount of RMB72.1 million (31 December 2023: RMB82.6 million) bear fixed interest rate ranging from 3.3% to 4.9% per annum (31 December 2023: from 3.3% to 4.9% per annum). They are guaranteed by two subsidiaries of the Group/guaranteed by Jiangsu Wuzhong Group Co., Ltd. ("Wuzhong Group"). They are repaid in a scheduled instalments within 2 to 3 years.

As at 30 June 2024, there are no undrawn bank borrowing facilities (31 December 2023: same).

- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 2.6% to 6.5% per annum as at 30 June 2024 (31 December 2023: from 2.6% to 6.5% per annum).

As at 30 June 2024, bank borrowing with principal amount of RMB19.0 million (31 December 2023: RMB20.0 million) is secured by a structured deposit of RMB20.0 million (31 December 2023: RMB20.0 million).

As at 30 June 2024, bank borrowings with principal amount of RMB86.0 million (31 December 2023: RMB88.0 million) are guaranteed by Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) (“Wuzhong Jiaye”) and the Ultimate Shareholders (of which one of the Ultimate Shareholders has not provided any guarantee).

As at 30 June 2024, bank borrowings with principal amount of RMB70.0 million (31 December 2023: RMB40.0 million) are guaranteed by Wuzhong Group.

As at 30 June 2024, bank borrowings with principal amount of RMB20.0 million (31 December 2023: RMB20.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. and counter-guaranteed by Wuzhou Group and its two subsidiaries.

As at 30 June 2024, bank borrowing with principal amount of RMB10.0 million (31 December 2023: RMB10.0 million) is guaranteed by Jiangsu Jinchuang Financing Re-guarantee Co., Ltd.

- (c) As at 30 June 2024, borrowings from other companies bear a fixed interest rate of ranging from 6.5% to 9.0% per annum (31 December 2023: from 6.5% to 9.0% per annum).
- (d) As at 30 June 2024, borrowings from micro-finance companies with principal amount of RMB50.0 million (31 December 2023: RMB50.0 million) are guaranteed by Wuzhong Jiaye.
- (e) As at 30 June 2024, borrowings from the Group’s employees bear a fixed interest rate ranging from 7.5% to 8.0% per annum (31 December 2023: from 7.5% to 8.0% per annum).

28. OTHER CURRENT LIABILITIES

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Construction payables	15,840	19,793
Advances from transferee of financial assets	47,362	34,820
Advances on sales	2,745	10,579
Advances on consultancy fee income	628	1,555
Accrued employee benefits	3,772	4,814
Turnover tax and other tax payable	2,039	2,817
Resale agreement deposits	67,680	50,000
Notes payables	2,053	4,558
Other financial liabilities	<u>14,898</u>	<u>17,235</u>
	<u><u>157,017</u></u>	<u><u>146,171</u></u>

29. CONTINGENCIES

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: same).

30. COMMITMENTS

(a) Capital commitments in respect of private equity funds

	As at 30 June 2024 Unaudited	As at 31 December 2023 Audited
Suzhou Cibeii (<i>note (a)</i>)	40,878	39,626
Suzhou Qianhui Tongcui Venture Capital Partnership (LP) ("Qianhui Tongcui") (<i>note (b)</i>)	10,000	10,000
Suzhou Kangli Junzhuo Digital Economy Industry Investment Fund Partnership (LP) ("Kangli Junzhuo") (<i>note (c)</i>)	5,000	5,000
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) ("Zhongxin Hengyuan") (<i>note (d)</i>)	<u>2,000</u>	<u>2,000</u>
	<u><u>57,878</u></u>	<u><u>56,626</u></u>

Notes:

- (a) The committed capital injection to Suzhou Cibeii is RMB45.0 million, of which RMB40.9 million (31 December 2023: RMB39.6 million) has not been paid by the Group as at 30 June 2024.
- (b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million (31 December 2023: RMB10.0 million) has not been paid by the Group as at 30 June 2024.
- (c) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB5.0 million (31 December 2023: RMB5.0 million) has not been paid by the Group as at 30 June 2024.
- (d) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million (31 December 2023: RMB2.0 million) has not been paid by the Group as at 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

With the goal of achieving nationwide business coverage, the Company has fully leveraged its status as a listed company in Hong Kong and its access to the international capital markets and implemented the dual strategy of “inclusive finance plus ecology finance”, striving to offer comprehensive financial services to small and medium enterprises (“SMEs”) and individual clients alike as well as offer quality and safe financial assets to investors and financial institutions. As our brand has been well recognized by the public with our stable asset quality and our continuously improved profitability, we have gradually developed into a company that offers comprehensive finance services.

During the Reporting Period, in the face of adverse changes in the external market environment, the Company focused on value creation and maintained growth in both operating scale and revenue against the trend. In terms of the Inclusive Finance Business Division, the real estate backed loans adopted a development strategy of both large-sums and small-sums loans, and explored differentiated development. The unsecured loans business explored opportunities in the equity interest backed loans for listed companies. The art investment business maintained a prudent development. In terms of the Ecology Finance Business Division, the scale and performance of commercial factoring business achieved new breakthroughs. The financial leasing business actively reserved customers and continued to explore development paths. The supply chain management business focused on consumer goods such as grain and oil, fresh produce, etc. The equity investment business maintained a steady investment pace. The special asset investment business strengthened the management of key projects and accelerated the exit and replication of projects.

1. BUSINESS REVIEW AND DEVELOPMENT

1.1 Inclusive Finance Business Division

The Inclusive Finance Business Division conducts its business through platforms such as Suzhou Wuzhong Pawnshop Co. Ltd.* (蘇州市吳中典當有限責任公司) (“Wuzhong Pawnshop”), Suzhou Dongshan Technology Microfinance Co., Ltd.* (蘇州市東山科技小額貸款有限公司) (“Dongshan Micro-finance”), Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)) (“Huifang Rongtong”) and Nanjing Yiling Culture and Art Co., Ltd.* (南京藝瓏文化藝術有限公司) (“Nanjing Yiling”). The division conducts pawnshop business, technology micro-finance business, turnover loan fund business and art investment business by adhering to the concept of small-sums and dispersed inclusive finance. Major products under this division include secured loans (including real estate backed loans and movable property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and other unsecured loans), which focus on solving short-term liquidity needs of SMEs and individuals. The business of Inclusive Finance Business Division currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang and Fuzhou, and is striving to become a leading service provider of inclusive finance in the PRC.

(a) *Pawnshop Business*

The following table sets out the details of total transaction amount, number and income of loans granted as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total number of new secured loans granted		
Total number of new real estate backed loans granted	243	298
Total number of new movable property backed loans granted	1,001	1,697
Total amount of new secured loans granted (RMB million)		
Total amount of new real estate backed loans granted	254	211
Total amount of new movable property backed loans granted	18	164
Balance of secured loans at the end of the Reporting Period (principal) (RMB million)		
Balance of real estate backed loans at the end of the Reporting Period (principal)	793	708
Balance of movable property backed loans at the end of the Reporting Period (principal)	173	158
Interest income of secured loans (RMB thousand)		
Interest income of real estate backed loans	54,830	48,159
Interest income of movable property backed loans	15,786	11,190
Total number of new unsecured loans granted	28	20
Total amount of new unsecured loans granted (RMB million)	374	362
Balance of unsecured loans at the end of the Reporting Period (principal) (RMB million)	436	397
Interest income of unsecured loans (RMB thousand)	10,175	12,464

The pawnshop business mainly relies on Wuzhong Pawnshop, Changsha Furong District Huifang Pawnshop Co., Ltd.* (長沙市芙蓉區匯方典當有限責任公司) (“Changsha Pawnshop”), Nanchang Huifang Pawnshop Co., Ltd.* (南昌市匯方典當有限責任公司) (“Nanchang Pawnshop”), Fuzhou Huifang Pawnshop Co., Ltd.* (福州市匯方典當有限責任公司) (“Fuzhou Pawnshop”) and Suzhou Huirong Culture and Art Co., Ltd.* (蘇州匯融文化藝術有限公司) (“Huirong Culture and Art”) as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is an indirect wholly-owned subsidiary of the Company by virtue of the series of contractual arrangements entered into by Suzhou Huifang Tongda Information Technology Co., Ltd.* (蘇州匯方同達信息科技有限公司) (“Huifang Tongda”), Suzhou Huifang Technology Co. Ltd.* (蘇州匯方科技有限公司) (“Huifang Technology”), Wuzhong Pawnshop, Jiangsu Wuzhong Jiaye Group Co., Ltd.* (江蘇吳中嘉業集團有限公司) (“Wuzhong Jiaye”), Suzhou Xinqu Hengyue Management Consulting Co., Ltd.* (蘇州新區恆悅管理諮詢有限公司) and the Ultimate Shareholders (the “Contractual Arrangements”). Wuzhong Pawnshop is one of the largest pawnshop in Mainland China. Changsha Pawnshop, established in 2021 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company. Nanchang Pawnshop, established in 2022 with a registered capital of RMB30 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 90% of the equity interests of Nanchang Pawnshop. Fuzhou Pawnshop, established in 2023 with a registered capital of RMB30 million, is an indirect wholly-owned subsidiary of the Company. Huirong Culture and Art, established in 2022 with a registered capital of RMB1 million, is an indirect wholly-owned subsidiary of the Company.

The pawnshop business primarily engages in secured loan and unsecured loan businesses. Secured loans business mainly includes real estate backed loans and movable property backed loans.

① Real Estate Backed Loans

Real estate backed loans primarily provide personal or corporate financing services to customers who have obtained real estate certificates. Business risks are comprehensively assessed based on customer credit status, real estate value, customer industry analysis and solvency, etc. The loan amount does not exceed 80% of the total evaluation price. The interest rates range from 12% to 18% per annum and the loan term is no longer than 1 year. The operation area is mainly in core urban areas of Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang, Fuzhou and other cities in the PRC. The target customers are mainly distributed across manufacturing, beverage, retail, trade and other industries. As of 30 June 2024, the total number of customers was 571, among which, the total number of individual customers was 548 and the total number of corporate customers was 23. The five largest customers contributed, in aggregate, 38.14% of the balance of real estate backed loans at the end of the Reporting Period (principal). As one of the core products of the Inclusive Finance Business Division, secured loans have high-quality customer resources and have maintained a sound and steady trend of development.

As of 30 June 2024, the balance at the end of the Reporting Period (principal) and the interest income of real estate backed loans granted by the Company were RMB793 million and RMB54,830 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that in the face of the decline in value of ordinary residential properties and intensified market competition, the Company expanded its business scale by focusing more on luxury residential properties and industrial factories.

The main risks and uncertainties faced by the real estate backed loans include real estate value fluctuation risk, regulatory policy change risk, credit policy change risk, liquidity risk and credit risk, etc.

For the first half of 2024, the Company adjusted its business strategy in relation to real estate backed loans based on market situation, adhering to the concept of small-sums and dispersion and developing large-sums businesses prudently. The Company actively competed for market share by exploring differentiated development. The development direction of the real estate backed loans in the future is to pay close attention to the asset value fluctuation, actively adjust business strategies, focus on high-quality assets that can endure different economic cycles, and enhance the business scale in various operation area.

② Movable Property Backed Loans

The movable property backed loans mainly provide fast movable property backed financing services to individuals, and the product categories cover artworks, gold, jewelry, vehicles, watches and luxury goods, etc. The loan amount does not exceed 95% of the total evaluation price. The interest rates and comprehensive rates range from 8% to 54% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The businesses in Chengdu, Wuhan, Hefei, Changsha, Nanchang and other cities are also gradually expanding. The target customers are mainly distributed across manufacturing, agriculture, retail and other industries. As of 30 June 2024, the total number of customers was 1,389, and the five largest customers contributed, in aggregate, 29.61% of the balance of movable property backed loans at the end of the Reporting Period (principal).

As of 30 June 2024, the balance at the end of the Reporting Period (principal) and the interest income of movable property backed loans granted by the Company were RMB173 million and RMB15,786 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the artworks pawnshop business contributed additional growth on the basis of maintaining continuous operation of the stores.

The luxury sales business mainly relies on the movable property backed loans to carry out its business. As of 30 June 2024, the total transaction number and the sales income of luxury goods were 7 and RMB79 thousand, respectively. Affected by the declining prices for second-hand luxury goods, the Company decided to strategically shrink this business to control the operational risks. At the end of the Reporting Period, the Company has completed store renovations and cleared inventory. Subsequent to the decision to shrink this business, the luxury sales business will not be independently discussed in this business division in the future.

The main risks and uncertainties faced by the movable property backed loans include collateral appraisal risk, collateral valuation risk, regulatory policy change risk and credit risk, etc.

For the first half of 2024, the movable property backed loans business insisted on providing short-term liquidity support to customers under the unfavorable environment of economic downturn. The development direction of the movable property backed loans in the future is to actively develop and serve existing customers, pay attention to the trend of the art auction market, and prudently control the scale of artworks pawnshop business.

③ Unsecured loans

The unsecured loans mainly provide equity financing services for SMEs and individuals. Business risks are comprehensively assessed based on the enterprise operation, financial conditions, industry development and debt repayment ability, etc. The loan amount does not exceed 50% of the total equity evaluation price. The interest rates range from 8% to 18% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, construction, investment and other industries. As of 30 June 2024, the total number of customers was 23, among which, the total number of individual customers was 18 and the total number of corporate customers was 5. The five largest customers contributed, in aggregate, 48.21% of the balance of unsecured loans at the end of the Reporting Period (principal).

As of 30 June 2024, the balance at the end of the Reporting Period (principal) and the interest income of unsecured loans granted by the Company were RMB436 million and RMB10,175 thousand, respectively, representing an increase in the balance at the end of the Reporting Period (principal), whereas the interest income decreased as compared with the corresponding period of last year. The main reason was that the equity interest backed loans for listed companies led to an increase in business scale, whereas the interest income decreased due to the delay in interest payments by some existing customers who were facing operational difficulties as a result of the economic downturn.

The main risks and uncertainties faced by the unsecured loans include regulatory policy change risk, credit policy change risk, credit risk and liquidity risk, etc.

For the first half of 2024, the Company attached great importance to the actual business situation of the existing customers of unsecured loans and explored the equity interest backed loans for listed companies with a cautious attitude due to the downturn of the secondary market. The development direction of the unsecured loans in the future is to prudently control the existing business balance, and seek an increase in the scale of the equity interest backed loans for listed companies.

For the pawnshop business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and ensures implementation of the operational risk and non-performing loan accountability mechanism. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement procedures in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(b) *Technology Micro-finance business*

The following table sets out the details of total new loans secured by real estate, guaranteed loans and credit loans as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total number of new loans granted	55	67
Total amount of new loans granted (RMB million)	427	194
Balance at the end of the Reporting Period (principal) (RMB million)	547	416
Interest income (RMB thousand)	<u>24,499</u>	<u>20,579</u>

The technology micro-finance business mainly relies on Dongshan Micro-finance as the entity to carry out its business. Dongshan Micro-finance, established in 2012 with a registered capital of RMB300 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Suzhou Wuzhong District Dongshan Town Collective Assets Management Co., Ltd.* (蘇州市吳中區東山鎮集體資產經營公司) and other entities. The Company holds 70% of the equity interests of Dongshan Micro-finance. Dongshan Micro-finance is also one of the few micro-finance companies rated “A” in Jiangsu Province, PRC.

Dongshan Micro-finance primarily engages in providing small loans and financial services such as finance guarantee for SMEs and individuals. Loans mainly include secured loans, guaranteed loans and credit loans.

Business risks of secured loans are comprehensively assessed based on the Company’s credit status, collateral value, industry analysis and cash flow, etc. The loan amount does not exceed 75% of the total evaluation price. The interest rates range from 10% to 18% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, beverage, service and other industries. As of 30 June 2024, the balance at the end of the Reporting Period (principal) of the secured loans is RMB382 million. As of 30 June 2024, the total number of customers was 66, among which, the total number of individual customers was 52 and the total number of corporate customers was 14. The five largest customers contributed, in aggregate, 37.93% of the balance of secured loans at the end of the Reporting Period (principal).

Business risks of guaranteed loans are comprehensively assessed based on the company’s operating conditions, financial situation and industry development, etc. The interest rates range from 10% to 18% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, trade, investment and other industries. As of 30 June 2024, the balance at the end of the Reporting Period (principal) of the guaranteed loans was RMB74 million. As of 30 June 2024, the total number of customers was 31, among which, the total number of individual customers was 17 and the total number of corporate customers was 14. The five largest customers contributed, in aggregate, 47.80% of the balance of guaranteed loans at the end of the Reporting Period (principal).

Business risks of credit loans are comprehensively assessed based on the individual’s or company’s credit status, enterprise operation, asset conditions and solvency, etc. The interest rates range from 8% to 16% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The target customers are mainly distributed in trade, gardening, investment and other industries. As of 30 June 2024, the balance at the end of the Reporting Period (principal) of the credit loans was RMB91 million. As of 30 June 2024, the total number of customers was 11, among which, the total number of individual

customers was 2 and the total number of corporate customers was 9. The five largest customers contributed, in aggregate, 76.96% of the balance of credit loans at the end of the Reporting Period (principal).

As of 30 June 2024, the balance at the end of the Reporting Period (principal) and the interest income of technology micro-finance business were RMB547 million and RMB24,499 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that taking the opportunity of expanding its business throughout Jiangsu Province, PRC, Dongshan Micro-finance actively increased its financing through interbank lending and other means, helping to increase its business scale and interest income synchronously.

The main risks and uncertainties faced by the technology micro-finance business include real estate valuation risk, credit risk, regulatory policy change risk, credit policy change risk and liquidity risk, etc.

For the first half of 2024, the Company adjusted its business strategy, focusing on providing liquidity support for large-sums and stable assets and strengthening business cooperation with state-owned micro-finance companies. The development direction of technology micro-finance business in the future is to intensify the service to technology-based and low-carbon SMEs by utilizing the advantages of conducting business in Jiangsu Province, PRC and fulfill the social responsibility of inclusive finance to promote regional economic development on the basis of bringing stable dividends to shareholders.

For the technology micro-finance business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement procedures in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(c) *Turnover Loan Fund Business*

The following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan fund business as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total number of new loans granted	630	453
Total amount of new loans granted (RMB million)	2,360	2,214
Balance at the end of the Reporting Period (principal) (RMB million)	12	45
Interest income (RMB thousand)	<u>2,684</u>	<u>3,856</u>

The turnover loan fund business mainly relies on Huifang Rongtong as the entity to carry out its business. Huifang Rongtong, established in 2017 with a registered capital of RMB55 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Suzhou Wuzhong Financial Investment Service Co., Ltd* (蘇州市吳中金融招商服務有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province, PRC. The Company holds 72.73% of the equity interests of Huifang Rongtong. Such government-enterprise cooperation fund is scarce in Suzhou and even Jiangsu Province, PRC.

The turnover loan fund business serves as a bridge between banking institutions and SMEs. It focuses on serving SMEs and local government platforms with the needs of turnover loans. Business risks are comprehensively assessed based on the company's credit status, enterprise operation, financial conditions and bank credit conditions, etc. The interest is 13.80% per annum and the loan terms range from 1 day to 30 days. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, construction, trade and other industries. As of 30 June 2024, the total number of new loan customers granted was 630, and the five largest customers contributed, in aggregate, 9.21% of the total new loan amount granted.

As of 30 June 2024, the total amount of new loans granted of turnover loan fund business was RMB2,360 million, representing an increase as compared with the corresponding period of last year. As of 30 June 2024, the interest income of turnover loan fund business was RMB2,684 thousand, representing a decrease as compared with the corresponding period of last year. The main reason was that the successful cooperation with the Suzhou Rural Commercial Bank's head office for turnover loan fund business led to an increase in the total number and amount of new loans granted. However, in response to regulatory requirements during the same period, the turnover loan fund business strictly charged interest at four times the Loan Prime Rate, resulting in a decrease in interest income.

The main risks and uncertainties faced by the turnover loan fund business include regulatory policy change risk and credit risk, etc.

For the first half of 2024, Huifang Rongtong strengthened the close cooperation with the contracted banks, and enhance due diligence on customers in order to control business risks. The development direction of turnover loan fund business in the future is to adhere to the customer acquisition scenario of the turnover loan fund business and support turnover loan needs of SMEs to realize the social value of the enterprise.

For the turnover loan fund business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement procedures in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(d) Art Investment Business

The following table sets out the operating information of the art investment business as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total number of artworks trading stock at the end of the Reporting Period	11	17
Total amount of artworks trading stock at the end of the Reporting Period (RMB million)	133	148
Artworks business income (RMB thousand)	<u>9,148</u>	<u>9,502</u>

The art investment business mainly relies on Nanjing Yiling and Suzhou Huifang Ruiqian Culture and Art Co., Ltd.* (蘇州匯方睿仟文化藝術有限公司) (“Ruiqian Culture”) as the entities to carry out its business. Nanjing Yiling, established in 2021 with a registered capital of RMB55 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Nanjing Yili Culture Development Co.,

Ltd.* (南京藝力文化發展有限公司). The Company holds 55% of the equity interests of Nanjing Yiling. Nanjing Yiling conducts artwork investment, artwork custody, artwork disposal and other businesses. Ruiqian Culture, established in 2024 with a registered capital of RMB10 million, is an indirect wholly-owned subsidiary of the Company.

The art investment business covers all categories of artworks, including Chinese modern painting and calligraphy, international contemporary painting and calligraphy, ancient antiques and sculptures. Its business covers the whole of Mainland China. The target customers are mainly major auction companies and well-known domestic collectors.

As of 30 June 2024, the total amount of artworks trading stock at the end of the Reporting Period and the artworks business income of art investment business were RMB133 million and RMB9,148 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The main reason was that the Company moderately shrank the scale of art investment business due to the decrease in the transaction volume and price of art auctions resulting from the economic downturn.

The main risks and uncertainties faced by art investment business include regulatory policy change risk, artworks valuation risk, artworks transportation and storage risk, credit risk, liquidity risk, art market systemic risk, etc.

For the first half of 2024, the art investment business paid attention to the industry development, focused on serving and maintaining existing customers, actively assisted clients in disposing of artworks and strictly controlled the risks of existing business. The development direction of art investment business in the future is to strive to build a comprehensive system that serves the entire art industry, and develop Nanjing Yiling into a well-known comprehensive art service organization in the Mainland China, covering art investment, art appraisal and storage, art auction agency, art exhibition and other services.

1.2 Ecology Finance Business Division

The Ecology Finance Business Division conducts its business through platforms such as Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司) (“Huida Factoring”), Huifang Financial Leasing, Suzhou Huifang Financial Leasing Co., Ltd.* (蘇州匯方融資租賃有限公司) (“Huifang Financial Leasing”), Suzhou Huifang Supply Chain Management Co., Ltd.* (蘇州市匯方供應鏈管理有限公司) (“Huifang Supply Chain”), Suzhou Huifang Rongcui Management Consulting Co., Ltd.* (蘇州匯方融萃企業管理諮詢有限公司) (“Huifang Rongcui”), Qingdao Wanchen Buliang Property Company Limited* (青島萬宸不良資產處置有限公司) (“Qingdao Wanchen”) and Suzhou Huifang Anda Insurance Agency Company Limited* (蘇州匯方安達保險代理有限公司) (“Huifang Anda”, formerly named as Nanjing Shun’an Insurance Agency Company Limited* (南京舜安保險代理有限公司)), adhering to the innovation of finance concept. It attaches great importance to the internal and external resources to develop commercial factoring business, financial leasing business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

(a) *Commercial Factoring Business*

The following table sets out the operating information of the commercial factoring business as of 30 June 2024:

	For the six months ended 30 June	
	2024	2023
Total number of new transaction relating to account receivables assignment	10	16
Total amount of new transaction relating to account receivables assignment (RMB million)	98	108
Balance at the end of the Reporting Period (principal) (RMB million)	421	359
Interest income (RMB thousand)	18,208	15,525
Service fee income (RMB thousand)	<u>2,938</u>	<u>1,882</u>

The commercial factoring business mainly relies on Huida Factoring as the entity to carry out its business. Huida Factoring, established in 2016 with a registered capital of RMB170 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and three other state-owned and collective capital companies: Suzhou Wuzhong Gaoxin Entrepreneurship Service Co., Ltd.* (蘇州吳中高新創業服務有限公司), Suzhou Dongfang Venture Investment Co., Ltd.* (蘇州東方創業投資有限公司) and Suzhou Wuzhong City Construction Investment Development Co., Ltd.* (蘇州市吳中城市建設投資發展有限公司). The Company holds 52.94% of the equity interests in Huida Factoring.

Huida Factoring is principally engaged in accepting assignment of account receivable from SMEs and installment of account receivables. Commercial factoring business evaluates business risks by comprehensively analyzing enterprise operation, financial conditions, receivables and industry development factors based on customers' credit status. The loan amount does not exceed 80% of the total amount of receivables. The interest rates range from 8% to 13% per annum and the loan term is within 4 years. The operation area is mainly in Suzhou. The target customers are mainly distributed in construction, manufacturing and other industries. As of 30 June 2024, the total number of customers was 18, and the five largest customers contributed, in aggregate, 59.57% of the balance at the end of the Reporting Period (principal).

As of 30 June 2024, the balance at the end of the Reporting Period (principal) and the interest income of Huida Factoring were RMB421 million and RMB18,208 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was the expansion of the business scale after the continuous obtaining of bank financing.

The main risks and uncertainties faced by commercial factoring business include debtor credit risk, receivable risk, trade fraud risk and regulatory policy change risk, etc.

For the first half of 2024, against the backdrop of declining interest rates, reduced number of new construction projects, and intensified industry competition, the commercial factoring business achieved new breakthroughs in scale and performance by adhering to government engineering factoring business and strengthening the marketing and bank financing. The development direction of commercial factoring business in the future is to pay attention to the payment status of local government accounts payable, dynamically adjust business scale, attach importance to promoting financing in more dimensions, and build a rich and diversified product system.

For the commercial factoring business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement procedures in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(b) *Financial Leasing Business*

The following table sets out the operating information of the financial leasing business as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total number of new transaction relating to financial leasing	5	2
Total amount of new transaction relating to financial leasing (RMB million)	29	19
Balance at the end of the Reporting Period (principal) (RMB million)	109	19
Interest income (RMB thousand)	4,531	43
Service fee income (RMB thousand)	<u>241</u>	<u>401</u>

The financial leasing business mainly relies on Huifang Financial Leasing as the entity to carry out its business. Huifang Financial Leasing, established in 2023 with a registered capital of RMB170 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company, Suzhou Shengzhuang Food Co., Ltd.* (蘇州聖莊食品有限公司) (“Shengzhuang Food”) and Suzhou Tianyi Knitwear Co., Ltd.* (蘇州天衣針織品有限公司) (“Tianyi Knitwear”). The Company holds 70% of the equity interests in Huifang Financial Leasing.

Huifang Financial Leasing primarily offers two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to the customers. Financial leasing business evaluates business risks by comprehensively analyzing customer’s industry and reputation, existing debt position, operating cash flows and the projected cash flows generated from the lease asset. The interest rates range from 7% to 14% per annum and the finance lease term is within 3 years. The operation area is mainly in Suzhou. The target customers are mainly distributed in advanced manufacturing and other industries. As of 30 June 2024, the total number of customers was 18, and the five largest customers contributed, in aggregate, 51% of the balance at the end of the Reporting Period (principal).

As of 30 June 2024, the balance at the end of the Reporting Period (principal), the interest income and the service fee income of Huifang Financial Leasing were RMB109 million, RMB4,531 thousand and RMB241 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the balance at the end of the Reporting Period was basically the same as the balance at the end of last year, and the increase in daily average balance led to an increase in interest income and service fee income.

The main risks and uncertainties faced by financial leasing business include lease asset risk, customer operation risk, customer high asset liability ratio risk and regulatory policy change risk, etc.

For the first half of 2024, the Company made full use of the initial paid-in capital of Huifang Financial Leasing to do business. The current business mainly focused on sale-leaseback and served multiple listed companies and specialized and innovative enterprises. The development direction of financial leasing business in the future is to support the development and innovation of SMEs, assist in industrial transformation and upgrading in advanced manufacturing, healthcare and public utility industry and explore development opportunities for direct finance leasing business.

For the financial leasing business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be

implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement procedures in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(c) Supply Chain Management Business

The following table sets out the operating information of the supply chain management business as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total transaction number	643	538
Total transaction number of grain and oil	121	98
Total transaction number of fresh produce	385	314
Total transaction number of electronic products	2	17
Total transaction number of other goods	135	109
Sales income (RMB thousand)	183,556	187,980
Sales income of grain and oil	168,989	116,818
Sales income of fresh produce	7,230	24,284
Sales income of electronic products	5,990	45,973
Sales income of other goods	1,347	905

The supply chain management business mainly relies on Huifang Supply Chain, Jiangsu Zhongli Communication Technology Co., Ltd.* (江蘇仲利通信科技有限公司) ("Zhongli Communication", formerly named as Suzhou Huifang Rongda Internet Technology Company Limited* (蘇州匯方融達網路科技有限公司)) and Sichuan Huida Dingchen Technology Co., Ltd* (四川匯達鼎宸科技有限公司) ("Huida Dingchen", formerly named as Sichuan Aomeishu Technology Co., Ltd* (四川奧美殊科技有限公司)) as entities to carry out its business. Huifang Supply Chain, established in 2018 with a registered capital of RMB400 million, is an indirect wholly-owned subsidiary of the Company. Zhongli Communication, established in 2015 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company. Huida Dingchen, established in 2015 with a registered capital of RMB20 million, is an indirect wholly-owned subsidiary of the Company. The supply chain management business was committed to focus on new supply chain scenarios mainly for grain and oil, fresh

produce, electronic products and other consumer goods fields. Currently, the supply chain management business has cooperated with COFCO Corporation* (中糧集團有限公司), Yihai Kerry Arawana Holdings Co., Ltd* (益海嘉里金龍魚糧油食品股份有限公司) and many other well-known enterprises. For the year ended 30 June 2024, the five largest suppliers accounted for approximately 98.73% of the supply chain management business's total purchases while the largest supplier accounted for approximately 70.07% of the supply chain management business's total purchases.

As of 30 June 2024, the total transaction number of supply chain management business and the sales income were 643 and RMB183,556 thousand, respectively, representing an increase in the transaction number, whereas the sales income decreased as compared with the corresponding period of last year. The main reason was that the Company strictly controlled supply chain risks and actively adjusted its product structure by reducing the proportion of electronic products business, and increasing the proportion of grain and oil and other businesses.

As of 30 June 2024, there was no billed trade payable from the supply chain management business based on invoice date.

The main risks and uncertainties faced by supply chain management business include inventory depreciation risk, compliance and operational risk, cargo transportation risk, cargo custody risk and customer default risk, etc.

For the first half of 2024, Huifang Supply Chain focused on consumer goods such as grain and oil, fresh produce, etc., and accelerated the layout of the liquor market and the establishment of sales channels. The development direction of supply chain management business in the future is to actively expand qualified partners and increase sales volume to contribute to the Company's revenue in the context of the downward trend of grain and oil prices.

(d) Equity Investment Business

The following table sets out the operating information of the equity investment business as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total transaction number of new investment	0	3
Total transaction amount of new investment (RMB million)	0	21
Balance of investment at the end of the Reporting Period (RMB million)	81	81
Investment loss (RMB thousand)	(3)	—

The equity investment business mainly relies on Huifang Rongcui and Suzhou Huifang Tongcui Business Management Consulting Partnership (Limited Partnership)* (蘇州匯方同萃企業管理諮詢合夥企業(有限合夥)) (“Huifang Tongcui”) as entities to carry out its business. Huifang Rongcui, established in 2021 with a registered capital of RMB100 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 90% of the equity interests in Huifang Rongcui. Huifang Tongcui, established in 2022 with a registered capital of RMB20 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 60% of the equity interests in Huifang Tongcui. Aiming at creating a business pattern of coordinated development of creditor’s rights and equity, the equity investment business cooperates with senior equity investment institutions based on national policy guidance. Investment areas mainly cover advanced manufacturing, semiconductor, new energy, biomedicine and other strategic emerging industries.

The main risks and uncertainties faced by equity investment business include the risk of business deterioration of the invested enterprise, the risk of regulatory policy changes, the systematic risk of financial market and contract risk, etc.

As of 30 June 2024, Huifang Rongcui cooperated with six senior equity investment institutions, intended investment being RMB78 million, with actual investment of RMB71 million.

In 2022, Huifang Tongcui has reached a cooperation intention with Suzhou Qianhui Zhitou Investment Management Co., Ltd* (蘇州乾匯智投資本管理有限公司) (“Qianhui Investment”), and set up Suzhou Qianhui Tongcui Venture Capital Partnership (LP)* (蘇州乾匯同萃創業投資合夥企業(有限合夥)) (“Qianhui Tongcui”) in a double general partners (“Double GP”) cooperation model. Huifang Tongcui and Qianhui Investment act as executive partners to Qianhui Tongcui, and Qianhui Investment acts as a manager to Qianhui Tongcui. The planned assets under management of Qianhui Tongcui is approximately RMB200 million and the subscribed assets under management of Qianhui Tongcui is RMB42 million. The investment period is 7 years. As of 30 June 2024, Huifang Tongcui intended to invest RMB20 million in Qianhui Tongcui and the actual investment was RMB10 million.

As of 30 June 2024, the balance of investment at the end of the Reporting Period (principal) and the investment loss were RMB81 million and RMB3 thousand, respectively. The investment loss was mainly due to the temporary loss caused by management and financial expenses of Qianhui Tongcui.

For the first half of 2024, with the tightening of initial public offerings regulations by the government, the exit channels for primary market investments were restricted and the equity investment encountered a cold market. The financing speed of invested companies in the investment portfolio slowed down, resulting in a decrease in fair value change income. The development direction of equity investment business in the future is to pay

attention to the policy trends in the equity investment market, prudently invest in new projects, attach importance to post investment management, and urge managers to accelerate the exit of projects.

(e) Special Asset Investment Business

The following table sets out the operating information of the special asset investment business as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total transaction number of new investment	1	—
Total transaction amount of new investment (RMB million)	88	—
Balance of investment at the end of the Reporting Period (RMB million)	306	7
Investment income (RMB thousand)	—	2,456
Interest income (RMB thousand)	<u>16,524</u>	<u>—</u>

The special asset investment business mainly relies on Qingdao Wanchen, Suzhou Huifang Dinghe Business Management Company Limited* (蘇州匯方鼎合商業管理有限公司) (“Huifang Dinghe”), Suzhou Huifang Zhongde Enterprise Management Consulting Co., Ltd.* (蘇州匯方仲德企業管理諮詢有限公司) (“Huifang Zhongde”) and Suzhou Huifang Yunqi Enterprise Management Consulting Co., Ltd.* (蘇州匯方雲啟企業管理諮詢有限公司) (“Huifang Yunqi”) as entities to carry out its business. Qingdao Wanchen, established in 2019 with a registered capital of RMB10 million, is an indirect wholly-owned subsidiary of the Company. Huifang Dinghe, a special purpose vehicle for the purpose of the participation in the restructuring of Suzhou Guangda Education Technology Development Company Limited* (蘇州市廣大教育科技發展有限公司) (“Guangda Education”, a company established under the laws of the PRC and the legal and beneficial owner of the Jasmine Hotel located in Suzhou, the PRC), established in 2023 with a registered capital of RMB35 million, is an indirect wholly-owned subsidiary of the Company. Huifang Zhongde, a special purpose vehicle for the purpose of the acquisition (the “Project Square Acquisition”) of a parcel of land and buildings thereon situated in Wuzhong District, Suzhou, the PRC (“Zhongzhu Square”) by way of the auction, established in 2023 with a registered capital of RMB20 million, is an indirect non-wholly owned subsidiary of the Company. Huifang Yunqi, a special purpose vehicle for the purpose of the Project Square Acquisition, established in 2023 with a registered capital of RMB20 million, is an indirect non-wholly owned subsidiary of the Company.

Special asset investment business makes full use of the Company’s industry position and resources of licensed asset management companies and banks to carry out special asset acquisition, disposal and operation. Special asset investment business mainly targets

potential special assets such as commercial real estate, industrial real estate and residential real estate, as well as unsecured credit debts attached to the above-mentioned assets.

As of 30 June 2024, the balance of investment at the end of the Reporting Period was RMB306 million, representing a significant increase as compared with the corresponding period of last year. The main reason was the participation in the restructuring of Guangda Education at an investment amount of RMB196 million and the acquisition of Zhongzhu Square at an investment amount of RMB88.4 million. As of 30 June 2024, the interest income was RMB16,524 thousand, representing an increase as compared with the corresponding period of last year. This was mainly due to the increase in the income generated from the participation in the restructuring of Guangda Education and the acquisition of Zhongzhu Square.

The main risks and uncertainties faced by special asset investment business include asset valuation risk, liquidity risk, operational risk, real estate value fluctuation risk and credit risk, etc.

For the first half of 2024, the special asset investment business focused on the field of financing in restructuring of companies and judicial auction of assets, and was making every effort to ensure the timely exit of existing projects and the expansion and replication of new projects. The development direction of special asset investment business in the future is to realize the investments in the two projects of Guangda Education and Zhongzhu Square in a timely manner, actively seek potential investment opportunities, dispose of debts by means of bankruptcy and pre-restructuring, and build a deep cooperation network between the upstream asset, the middle capital and the downstream disposal.

(f) Insurance Brokerage Business

The following table sets out the operating information of the insurance brokerage business as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total transaction number	37	182
Commission fee income (RMB thousand)	<u>127</u>	<u>415</u>

The insurance brokerage business mainly relies on Huifang Anda as the entity to carry out its business. Huifang Anda, established in 2004 with a registered capital of RMB2.4 million, is an indirect non-wholly owned subsidiary of the Company and is jointly

established by the Company and state-owned capital Suzhou Wuzhong Financial Investment Service Co., Ltd* (蘇州市吳中金融招商服務有限公司) and other institutions. The Company holds 65% of the equity interests of Huifang Anda.

The insurance brokerage business actively integrates the resources of the government and insurance companies, with the aim of providing credit, responsibility, professionalism and compliance with regulations, and align with the business development direction of large private enterprises, governments, state-funded platforms and foreign-funded enterprises. The scope of insurance agency covers property insurance, credit guarantee insurance, liability insurance and life insurance, etc.

As of 30 June 2024, the total transaction number and commission fee income of insurance brokerage business transactions were 37 and RMB127 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The main reason was that the macroeconomic downturn led to a more competitive landscape for the property insurance business targeting corporate clients.

The main risks and uncertainties faced by insurance brokerage business include the risk of government policy changes and contract risks, etc.

For the first half of 2024, the insurance brokerage business strengthened external cooperation and actively developed innovative insurance products. The development direction of insurance brokerage business in the future is to implement new coinsurance cooperation, introduce agent teams with market competitiveness and further explore the life insurance agency business.

1.3 Headquarters and Others

As the incubator of the Company's innovative business, the headquarters has the function of cultivating innovative business of the Company through different stages. The overseas finance business is an attempt of the Company's global development and is currently under the direct management of the headquarters. The following table sets out the operating information of the overseas finance business as of 30 June 2024:

	For the six months ended	
	30 June	
	2024	2023
Total number of new loan granted	1	1
Total new loan amount granted (HK\$ million)	20	20
Balance at the end of the Reporting Period (principal) (HK\$ million)	23	26
Interest income (HK\$ thousand)	<u>724</u>	<u>754</u>

The overseas finance business mainly relies on Huifang Investment as the entity to carry out its business. Huifang Investment, established in 2011, is an indirect wholly-owned subsidiary of the Company and obtained a money lender's license with license No. MLR5279 in Hong Kong in January 2019 to develop diversified financial services.

The overseas finance business mainly involves guaranteed loans. Business risks of guaranteed loans are comprehensively assessed based on enterprise operation, financial conditions and industry development, etc. The interest rates range from 5.5% to 7% per annum and the loan term is 12 months. The operation area is mainly in Hong Kong. The target customers are mainly local companies in Hong Kong. It mainly conducts business in cooperation with local licensed money lenders at present.

As of 30 June 2024, the balance at the end of the Reporting Period (principal) and the interest income of overseas finance business were HK\$23 million and HK\$724 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The main reason was that certain customers repaid a portion of the loan principal at the end of the Reporting Period.

The main risks and uncertainties faced by overseas finance business include the risk of changes in the international political and economic situation and the risk of exchange rate fluctuations, etc.

For the first half of 2024, the overseas finance business closely monitored changes in corporate operations, actively reduce loan balance, and increase interest rates for certain customers. The development direction of overseas finance business in the future is to seek for development opportunities in the fields of pawnshops and digital assets in more overseas countries and regions such as Southeast Asia.

2. FINANCIAL REVIEW

2.1 Overall Financial Data

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
Operating Results		
Operating income	351,380	317,157
Net operating income	100,522	83,939
Net assets	2,175,038	2,140,987
General and administrative expenses	43,179	39,774
Income tax expense	14,582	10,721
Profit attributable to owners of the Company	30,609	27,619
Basic earnings per share (RMB)	<u>0.028</u>	<u>0.025</u>

As of 30 June 2024, the operating income amounted to RMB351,380 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the increase in interest income generated from the pawnshop business, the financial leasing business and the special asset management business as explained in the respective sections under “1. Business Review and Development”. As of 30 June 2024, the profit attributable to owners of the Company amounted to RMB30,609 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the increase in operating income attributed to the factors set out above.

2.2 Financial Analysis on Two Principal Business Divisions

2.2.1 Inclusive Finance Business Division

	For the six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Operating income	117,293	106,039
Operating cost	(10,512)	(8,138)
Other non-operating losses	<u>(59,959)</u>	<u>(55,957)</u>
Profit before tax	<u><u>46,822</u></u>	<u><u>41,944</u></u>

As of 30 June 2024, the operating income amounted to RMB117,293 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the increase in the amount of secured loans granted by Dongshan Micro-finance and Nanchang Pawnshop. As of 30 June 2024, the profit before tax amounted to RMB46,822 thousand, representing an increase as compared with the corresponding period of last year. This was mainly due to the increase in operating income attributed to the factors set out above.

2.2.2 Ecology Finance Business Division

	For the six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Operating income	227,298	206,202
Operating cost	(194,963)	(193,174)
Other non-operating losses	<u>(8,690)</u>	<u>(616)</u>
Profit before tax	<u><u>23,645</u></u>	<u><u>12,412</u></u>

As of 30 June 2024, the operating income amounted to RMB227,298 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the increase in interest income generated from the commercial factoring business, the financial leasing business and the special asset management business as explained in the respective sections under “1. Business Review and Development”. As of 30 June 2024, the profit before tax amounted to RMB23,645 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the increase in revenue attributed to the factors set out above.

2.2.3 Headquarters and Others

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Operating income	10,972	11,690
Operating cost	(10,165)	(8,882)
Other non-operating loss	<u>(14,117)</u>	<u>(9,916)</u>
Loss before tax	<u><u>(13,310)</u></u>	<u><u>(7,108)</u></u>

As the core of the Group’s progress and development, the headquarters has undertaken the service functions of investment management, risk prevention and control, scientific and technological support, logistics support, etc. In recent years, it has been committed to lowering costs and increasing efficiency. In the future, it will continue to promote refined management to increase income and reduce expenditure.

As of 30 June 2024, the operating income amounted to RMB10,972 thousand, representing a decline as compared with the corresponding period of last year. The main reason was the decrease in interest income from fixed deposit certificates. As of 30 June 2024, the loss before tax was RMB13,310 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the decrease in revenue attributed to the factors set out above, the increase in interest expenses, the decrease in profit before tax due to changes in stock value, and the decrease in profit before tax due to exchange rate fluctuations.

3. CREDIT RISK

3.1 Loan Classification and Impairment Allowances

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 30 June 2024				As at 31 December 2023
	ECL staging				
	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000	Total RMB'000
Loans to customers					
Secured loans to customers (a)	1,020,914	22,054	937,997	1,980,965	1,842,019
Unsecured loans to customers (b)	991,121	12,800	341,177	1,345,098	1,262,159
Gross carrying amount	2,012,035	34,854	1,279,174	3,326,063	3,104,178
ECL allowances	(32,895)	(4,723)	(804,404)	(842,022)	(794,632)
Carrying amount	1,979,140	30,131	474,770	2,484,041	2,309,546
Term deposits with banks					
Credit grade					
AAA	2,293	—	—	2,293	4,804
Gross carrying amount	2,293	—	—	2,293	4,804
ECL allowances	(164)	—	—	(164)	(164)
Carrying amount	2,129	—	—	2,129	4,640

	As at 30 June 2024				As at 31 December 2023
	ECL staging				
	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000	Total RMB'000
Other current assets (excluding repossessed assets)					
Gross carrying amount	35,561	—	—	35,561	19,106
ECL allowances	(1,141)	—	—	(1,141)	(1,141)
Carrying amount	34,420	—	—	34,420	17,965
Financial assets held under resale agreement					
Gross carrying amount	308,766	—	—	308,766	203,842
ECL allowances	(7,192)	—	—	(7,192)	(3,827)
Carrying amount	301,574	—	—	301,574	200,015
Finance lease receivables					
Gross carrying amount	104,912	—	5,277	110,189	108,019
ECL allowances	(3,525)	—	(2,017)	(5,542)	(3,266)
Carrying amount	101,387	—	3,260	104,647	104,753

Notes:

- (a) Secured loans to customers comprise real estate backed loans and movable property backed loans.
- (b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and other unsecured loans.

The Group may suffer credit losses if its customers default on contractual obligations. As at 30 June 2024, the impairment allowance (including the provision of loss allowance and the write-off) for loans to customers granted by the Group was as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Secured loans to customers (note (a))		
Stages 1 & 2	13,130	10,875
Stage 3	550,889	514,937
Subtotal	<u>564,019</u>	<u>525,812</u>
Unsecured loans to customers (note (b))		
Stages 1 & 2	24,488	35,353
Stage 3	253,515	233,467
Subtotal	<u>278,003</u>	<u>268,820</u>
ECL allowances, total	842,022	794,632
Stages 1 & 2	37,618	46,228
Stage 3	<u>804,404</u>	<u>748,404</u>

Notes:

- (a) Secured loans to customers mainly comprise real estate backed loans and movable property backed loans.
- (b) Unsecured loans to customers mainly comprise equity interest backed loans and guaranteed loans and other unsecured loans.

The impairment allowance is measured based on the ECL model. Please refer to the last annual consolidated financial statements for the major parameters, assumptions and judgments used in the model.

As at 30 June 2024, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB842,022 thousand, representing approximately 25.32% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB47,390 thousand as compared with the end of last year.

For loans to customers in Stages 1 & 2, the impairment allowance was determined by projecting the Probability of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”) for every six months and for each individual exposure or collective segment, based on historical data. The decrease of the impairment allowance in Stages 1 & 2 during the Reporting Period was mainly due to an update of the impairment allowance based on changes in PDs and LGDs.

For impaired loans to customers in Stage 3, the impairment allowance is assessed by estimating the discounted future cash flows from the loans, and such assessment is re-performed for at least every six months.

For secured loans, the discounted cash flow is primarily dependant on the type of collaterals, their appraised value and estimated time for disposal. The impairment allowance for secured loans increased during the Reporting Period, mainly due to the transfers of the loans under legal proceedings from Stages 1 & 2 to Stage 3 and an update of the impairment allowance based on supporting documents such as the latest assessed value of the collateral held and the borrower’s bankruptcy or insolvency plans.

For unsecured loans, the discounted cash flow depends on the customer’s financial and operating conditions, as well as their own properties preserved by the Group. The impairment allowance for unsecured loans increased during the Reporting Period, mainly due to the transfers of the loans under legal proceedings from Stages 1 & 2 to Stage 3 and an update of the impairment allowance based on supporting documents such as the borrower’s bankruptcy or insolvency plans.

The Group also entered into supplementary repayment agreements with certain secured or unsecured loan customers in order to maximise its interests. The Group adjusted the impairment allowance according to implementation of such agreements.

The Group did not write off its impairment allowance on loans to customers during the Reporting Period. The write-off only occurs when the Group has exhausted all practical recovery efforts and its decision was made based on the following evidence showing it will not be able to recover its obligatory right after liquidating the customers’ property and pursuing repayment from the guarantor:

- (i) external evidence such as property settlement certificates issued by courts, arbitration tribunals or relevant government authorities; and
- (ii) internal evidence such as property recovery certificates, settlement reports, and legal opinions issued by the Group’s risk control department and internal lawyers.

3.2 New Loans under Legal Proceedings

	For the six months ended	
	30 June	
	2024	2023
New Secured Loans		
Number of clients	63	35
Outstanding loans (RMB thousand)	96,757	31,460
New Unsecured Loans		
Number of clients	1	—
Outstanding loans (RMB thousand)	<u>30,000</u>	<u>—</u>

For the six months ended 30 June 2024, the balance of new secured loans and unsecured loans under legal proceedings were RMB96,757 thousand and RMB30,000 thousand, respectively. There is an increase of the balance of new loans under legal proceedings from the corresponding period of last year. The main reason was that the economic downturn has led to an increase in customers facing operational difficulties. After unsuccessful attempts at non litigation methods, the Company has intensified its efforts in litigation resolution.

3.3 Credit Risk Management and Internal Control

3.3.1 Credit Risk Management

The money lending business of the Group mainly includes four business units, namely (i) pawnshop business, technology micro-finance business and overseas finance business; (ii) turnover loan funds business; (iii) commercial factoring business; and (iv) financial leasing business.

For each of the Group's money lending business units, the Group has formulated clear guidelines, policies and measures for the entire loan process, from assessment of credit risks and granting of loans, to post-lending monitoring and risk management, details of which are set out below. Different functions, such as credit risk assessment, lending procedures and approval of new loan applications are clearly delineated and segregated.

3.3.1.1 Pawnshop business, micro-finance business and overseas finance business

Below is a summary of the product types available under each category of this business unit:

- **Pawnshop business:** mainly comprises the provision of real estate backed loans, personal property backed loans and unsecured loans. The unsecured loans in this category mainly comprises of equity interest backed loans.

- **Technology Micro-finance business:** mainly comprises the provision of real estate backed loans and unsecured loans. The unsecured loans in this category mainly comprises guaranteed loans and credit loans.
- **Overseas finance business:** comprises of the provision of unsecured loans, which are mainly guaranteed loans.

The product types in this business unit can broadly be categorised into secured loans and unsecured loans.

(a) Secured loans

Pre-loan assessment

Due diligence

The business departments will obtain and review the identity card or the business licence, the customer's credit report issued by the People's Bank of China, the anti-fraud assessment report issued by third-party assessment agency and other documents to verify customer's identity and financial status.

Where fixed assets collaterals are involved, to mitigate operational risks, the business departments will obtain and review the collateral assessment report, title documents and relevant contracts and conduct site visits to check the existence and value of collaterals and any charges or mortgages against collaterals.

Credit assessment

A comprehensive pre-loan investigation report on the customer will be prepared by the business department for review by the risk control department.

Secured loans are granted by taking into account the collateral to be provided, the customer's cash flows and solvency position. Credit risks of customers are comprehensively assessed based on multiple factors, such as value of the collateral given, the customer's credit record, the customer's solvency and an analysis on the customer's industry and prospect. Collateral assessment value is based on any appraised value issued by appraisal institutions, and the ability to realise the value of the asset, taking into account the nature, location, age and size (in case of a property) of the asset.

Renewal of loans

Each loan renewal will be considered as a new loan to be granted and assessed under the same set of procedures adopted for new loan applications. The Group will also consider whether the interest and principal payments of the previous loan(s) has/have been paid on schedule, and whether the appraised value of the collateral is still acceptable to the Group for the loan renewal.

Loan grant

Loan execution

The Group sets a maximum loan amount and maximum interest rate for each loan. The risk control department can flexibly adjust loan terms such as interest rates and loan amount based on credit assessment results.

Loan approval

The Group sets clear levels of approval for loans with different amounts, with designated authorised persons for each approval limit. The authorised persons include the risk control department, the Chief Risk Officer (if applicable) and the credit approval committee (if applicable).

Fund release

The Group will only release funds after ensuring the completion of a series of tasks such as loan approval, contract signing, and registration of collateral rights.

Post-loan monitoring

The Group implements post-lending monitoring and management procedures to carry out ongoing monitoring and management of credit risks and the entire lending process, carrying out quarterly post-lending inspections and reviews and also specialized inspections when required from time to time during the loan period.

Periodic credit risk assessment on the customer will be conducted based on various other factors, including credit record, source of repayments (including a review conducted on a corporate customer's (or its controlling entity's) revenue, assets and liabilities, and the available assets of an individual customer), anti-fraud inquiries and marital status of the customer.

Loan recovery

The repayment of the principal and interest by the mortgagor (borrower) is continuously monitored. If the repayment of the principal and interest of a loan is overdue or if there is a major event affecting the collateral which is brought to the attention of the Group, the Group will enforce its rights as creditor through legal proceedings if necessary.

Documentation

The Group applies a comprehensive management system with an early warning system to store all business information and documents relating to the loan transaction to ensure that every transaction is recorded in an accurate and timely manner and any defaulted loans are identified.

(b) **Unsecured loans**

Unsecured loans mainly involve equity interest backed loans, guaranteed loans and credit loans.

Pre-loan assessment

Due diligence

The business departments will obtain and review the identity card or the business licence, the customer's credit report issued by the People's Bank of China, the anti-fraud assessment report issued by third-party assessment agency, the financial statements and tax statements of corporate clients (if applicable) and other documents to verify the following information:

- the basic information of the customer;
- the key financial information of the corporate customer and its operational data, including:
 - analysis on medium and long-term solvency, such as gearing ratio, current ratio and cash ratio;
 - analysis on corporate profitability, such as operating profit margin and net profit ratio;
 - non-financial indicators, such as electricity consumption, water consumption and salary payment; and

- the information of the guarantor (if any), including the guarantor's assets and ability to provide such guarantee and factors analogous to an examination of the financial information of the borrower customer.

For equity interest backed loans, the Group will conduct an internal review of the results and value of the equity interests. The Group will also obtain and review the equity interest registration certificate issued by the relevant department to verify the validity of the equity interest.

Credit assessment

A comprehensive pre-loan investigation report on the customer will be prepared by the business department for review by the risk control department.

Unsecured loans are granted by taking into account the customer's cash flows and solvency position. Credit risks of customers are assessed and monitored in the same manner as secured loans.

Renewal of loans

Each loan renewal will be considered as a new loan to be granted and assessed under the same set of procedures adopted for new loan applications. The Group will also consider whether the interest and principal payments of the previous loan(s) has/have been paid on schedule, and whether the customer's financial condition is still acceptable to the Group for the loan renewal.

Loan grant

Loan execution

The Group sets a maximum loan amount and maximum interest rate for each loan. The risk control department can flexibly adjust loan terms such as interest rates and loan amount based on credit assessment results.

Loan approval

Unsecured loans should be approved sequentially by the risk control department, the Chief Risk Officer and the credit approval committee.

Fund release

The Group will only release funds after ensuring the completion of a series of tasks such as loan approval, contract signing, loan guarantee, and registration of equity interest rights (if applicable).

Post-loan monitoring

The Group implements post-lending monitoring and management procedures to carry out ongoing monitoring and management of credit risks and the entire lending process, carrying out quarterly post-lending inspections and reviews and also specialized inspections when required from time to time during the loan period.

Periodic review is conducted on the repayments status and the financial status of the customer and guarantor.

Loan recovery

In the case of an overdue repayment of principal or interest of an unsecured loan or if there occurs a major event involving the guarantor of an unsecured loan, upon identification of the reasons of the specific customer's or the guarantor's inability to repay, the Group will formulate a customer-specific response plan based on the customer's operating conditions, sources of funds for repayment and repayment willingness. The Group will also negotiate with such customer to increase its guaranteed amount or determine a repayment plan, and implement recovery measures through legal proceedings if necessary.

Documentation

The Group applies a comprehensive management system with an early warning system to store all business information and documents relating to the loan transaction to ensure that every transaction is recorded in an accurate and timely manner and any defaulted loans are identified.

3.3.1.2 Turnover loan funds business

In the PRC, SME borrowers who received loans from banks have to repay the loan amount in full upon expiry and re-apply for a new loan, thereby creating strong a demand for services provided by bridging loan providers that will lead to timely approval of the new loan by banks to the SMEs and also flexible repayment terms. The Group provides short-term loan funds to SMEs for them to repay the expiring loans and after the SMEs have drawn down the new loans from the cooperation banks, the SMEs will repay the short-term loan funds (together with interest accrued thereon) to the Group, so as to alleviate the SMEs' capital turnover pressure caused by the "payment first and loan later" ("先還後貸") notion prevalent in the process of grant of loans in the PRC.

The Group mainly relies on Huifang Rongtong as the legal entity to carry out its business in turnover loan fund, which is a turnover loan funds business (轉貸基金) approved, guided and supervised by the Suzhou Wuzhong People's Government. It

cooperates with banks that have branches in Wuzhong District of Suzhou and provides short-term loan funds to SMEs that (i) meet bank credit requirements, given their track record of repayment and credit risks have already been assessed by the banks previously; and (ii) experience difficulties in repaying their previous loan amount in full for its renewal. The process of this business will normally be kick-started by the SMEs (some of them are referred by cooperation banks of the Group) by first applying to the Group for turnover loan funds, after which, the Group will conduct due diligence on the SMEs, and will provide funds to them according to the conditions and amount of loans confirmed by the cooperation banks to the Group.

Funds are advanced/granted to SMEs in the turnover loan funds business. The source of the funds of the Group mainly comes from the paid-up registered capital in the amount of RMB55 million of Huifang Rongtong and interest income generated from this business. After the Group enters into loan agreements with the SMEs, the Group will remit the funds to the turnover repayment account of the SMEs that meets the bank's management requirements. Upon the previous loans with the cooperation bank being settled, the cooperation bank lends new loan to the SMEs, and transfers the amount of the turnover loan funds advanced/granted by the Group (together with interest accrued thereon) to a turnover loan special account or a designated entrusted account of the Group that meets the bank's management requirements, which will be regarded as a repayment of the turnover loan funds by the SMEs to the Group.

Pre-loan assessment

Due diligence

The business departments will obtain and review the basic information of the SMEs, such as the business licence, financial statements etc. to verify customer's identity and financial status. Meanwhile, the business departments will obtain feedback of the application forms and business contact sheets from banks before the granting of loans.

Credit assessment

A comprehensive pre-loan investigation report on the customer will be prepared by the business department for review by the risk control department.

Turnover loan funds are granted by taking into account the company's credit status, enterprise operation, financial conditions and bank credit conditions. In order to qualify for grant of a loan under this business unit, the SME must go through the credit review process and satisfy the borrower qualifications of the lending bank, which involves assessment of credit, financial resources and operational data etc.

The credit risks borne by the Group in this business include the risks of (i) the changes in loan renewal conditions of the banks; (ii) the SMEs not meeting the conditions for loan renewal; (iii) the SMEs changing the use of loan funds for other purposes instead of repayment of the current loan; and (iv) overdue repayment of funds by the SMEs to the Group.

Renewal of loans

Under normal circumstances, the Group does not renew loans.

Loan grant

Loan execution

The Group sets a maximum loan amount and maximum interest rate for each loan. The risk control department can flexibly adjust loan terms such as interest rates and loan amount based on credit assessment results.

Loan approval

The Group sets clear levels of approval for loans with different amounts, with designated authorised persons for each approval limit. The authorised persons include the risk control department and the Chief Risk Officer (if applicable).

Fund release

Once the SME has passed the credit review assessment, a contract will be issued by the Company in accordance with the internal administrative measures governing turnover loan funds.

Post-loan monitoring

The Group implements a comprehensive process of tracking and supervision of turnover loan funds, which establishes an early warning mechanism for SMEs' corporate risks and change of circumstances that exposes the Group to further credit risks. The Group performs tracking and supervision in the following six stages of a turnover loan funds cycle: (i) contract signing; (ii) pre-loan implementation; (iii) fund transfer; (iv) loan disbursement; (v) fund return; and (vi) archives. The turnover loan funds business unit is responsible for maintaining close communication and contact with customers, closely monitoring the customer's business performance and providing feedback to the risk control department accordingly. The risk control department of the Group will monitor and flag unusual circumstances, such as customers having yet to repay turnover loan funds over a long period of time, and give timely warnings to the relevant personnel of the Group to closely monitor credit risks arising from such events.

Loan recovery

Repayments by SMEs are closely monitored. For customers with overdue repayments or adverse changes, upon identification of the reasons for the overdue repayments by the specific customer, the Group will formulate a customer-specific response plan based on the customer's operating conditions, sources of funds for repayment and repayment willingness. The Group will also negotiate with such customer to increase its effective asset guarantees or determine a repayment plan, and implement recovery measures through legal proceedings if necessary.

Documentation

The Group applies a comprehensive management system with an early warning system to store all business information and documents relating to the loan transaction to ensure that every transaction is recorded in an accurate and timely manner and any defaulted loans are identified.

3.3.1.3 *Commercial factoring business*

Pre-loan assessment

Due diligence

The business departments will collect information and documents in relation to the payment and the ledger management of account receivables, verify the account receivables and confirm the results of account receivables registration. The business departments will also obtain and review the business licence, corporate credit report, financial statements, tax statements and other documents, and conduct site visits to verify customer's identity and financial status.

Credit assessment

In terms of the criteria and credit risk assessments for both the customer and the relevant debtor, the Group first divides customers and debtors into (i) manufacturing (or service-oriented) enterprises; and (ii) engineering project-oriented enterprises, and evaluates customers and debtors based on two different sets of criteria set for (i) and (ii) on year of establishment, credit records, social reputation, product quality and market conditions.

In terms of the risk assessment of account receivables, the Group focuses on the assessment of past payment status of the debtor, account receivables quality, account receivables period, payment responsibilities, contractually agreed prices and assignment restrictions.

Renewal of loans

Each loan renewal will be considered as a new loan to be granted and assessed under the same set of procedures adopted for new loan applications. The Group will also consider whether the interest and principal payments of the previous loan(s) has/have been paid on schedule, and whether the customer's financial condition is still acceptable to the Group for the loan renewal.

Loan grant

Loan execution

The loan terms such as interest rates and loan amount should be determined by the credit approval committee based on credit assessment results.

Loan approval

The commercial factoring business should be approved by the credit approval committee.

Fund release

The Group will only release funds after ensuring the completion of a series of tasks such as loan approval, contract signing and registration of account receivables rights.

Post-loan monitoring

The Group has designated personnel to perform review procedures on factoring and registrations of the assignment of account receivables. Analysis will be conducted to closely monitor the customer's business operations or any changes thereto, financial position, and solvency through fieldwork and due diligence. Credit history of the customer with the Group and other financial institutions will also be monitored.

Loan recovery

The authenticity and legality of the transfer of account receivables and the recoverability of the account receivables will be assessed. In addition, the Group closely monitors and keeps track of any disputes between the customer and the debtor regarding the account receivables or deterioration of financial position of the debtor, and will take timely measures to counter such risks, such as ceasing to provide further factoring services to the customer, recovery of the amounts due from the customer.

If upon expiry of the financing, the customer fails to redeem the account receivables or if the debtor fails to repay the account receivables, various collection measures will be taken immediately, including registration of an extension of the account receivables, obtaining control over the account receivables and enforcing the Group's claims through legal means.

Documentation

The Group applies a comprehensive management system with an early warning system to store all business information and documents relating to the loan transaction to ensure that every transaction is recorded in an accurate and timely manner and any defaulted loans are identified.

3.3.1.4 *Financial leasing business*

Pre-loan assessment

Due diligence

The business departments will also obtain and review the business licence, corporate credit report, financial statements, tax statements and other documents, and conduct site visits to verify customer's identity and financial status.

For avoidance of operational risks, the document review process also entails verification of the identity of the customer. For example, the Group will obtain and review the business licence to verify the customer's identity and require all documents to be signed by the customer as lessee.

Credit assessment

Financial leasing is granted by taking into account customer's industry and reputation, customer's cash flows, solvency position and liquidity of leased assets. Credit risks of customers are comprehensively assessed based on multiple factors, such as the customer's credit record, the customer's solvency, the analysis on the customer's industry and prospect, value and liquidity of the lease assets.

Renewal of loans

Each loan renewal will be considered as a new loan to be granted and assessed under the same set of procedures adopted for new loan applications. The Group will also consider whether the interest and principal payments of the previous loan(s) has/have been paid on schedule, and whether the customer's financial condition is still acceptable to the Group for the loan renewal.

Loan grant

Loan execution

The Group usually enters into financial leasing agreements with the customers which sets out major terms such as the leased asset concerned, purchase price of the leased asset, term of the lease, the payment schedule of the lease payments, security deposit (if any), management fee (if any), transfer of title clause and insurance for the leased asset. The loan terms should be determined by the credit approval committee based on credit assessment results.

Depending on the credit status of the customer, the Group may require lessees and third parties to provide additional collaterals or guarantees so that the Group will have better protection against credit risk. These additional collaterals or guarantees include (i) joint and several guarantees from the lessee's legal representative, major equity interest holders or their family members (if any); and (ii) pledge of real property or vehicles owned by the lessees.

Loan approval

The financial leasing business should be approved by the credit approval committee.

Fund release

The Group will only release funds after ensuring the completion of a series of tasks such as loan approval, contract signing and implementation of guarantee measures.

Post-loan monitoring

Financial reports of the customer will be collected on a monthly or quarterly basis to conduct periodic review on business status, solvency position, credit status, and changes in debt situation of the lessee. Each review forms related written reports such as post lease inspection logs or reports.

Loan recovery

If the lessee fails to pay any installment of rent, or fails to perform any of its obligations under the finance leasing agreement, the Group shall have the right to demand prompt payment in full or part of the lease receivables, or immediately and unilaterally dispose of such leased assets.

Documentation

The Group applies a comprehensive management system with an early warning system to store all business information and documents relating to the loan transaction to ensure that every transaction is recorded in an accurate and timely manner and any defaulted loans are identified.

3.3.2 Internal Control

In addition to the measures as disclosed above in this announcement, the Group has adopted the following key internal control measures with the aim to establish a comprehensive risk management system covering all employees, products and operational processes:

- segregation of credit assessment and loan disbursement process and establishment of a multi-tiered loan approval policy with a clear delineation of the responsibilities of different positions in the whole business process, which promotes employees' integrity and accountability across front, middle and back offices;
- promulgation of working rules of the credit approval committee, policies for product outline and product management policies which governs the loan approval process, such policies include, for instance, setting a maximum limit for each loan transaction;
- implementation of post-lending monitoring and management procedures to carry out ongoing monitoring and management of credit risks and the entire lending process, carrying out quarterly post-lending inspections and reviews and also specialized inspections when required from time to time during the loan period;
- establishment of a comprehensive management system with an early warning system to store all business information and documents relating to the loan transaction to ensure that every transaction is recorded in an accurate and timely manner and any defaulted loans are identified; and
- promulgation of management policies for defaulted liabilities and bad debts identification and write-offs such that write-offs can only be processed after the relevant liabilities have been identified as bad debts and compliant with write-offs management policy.

4. BORROWINGS

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Non-current		
Bank borrowing (<i>note (a)</i>)	<u>383,100</u>	<u>351,600</u>
Current		
Bank borrowings (<i>note (b)</i>)	390,166	300,654
Borrowings from other companies (<i>note (c)</i>)	157,850	92,115
Borrowings from micro-finance companies (<i>note (d)</i>)	119,990	110,000
Borrowings from the Group's employees (<i>note (e)</i>)	<u>111,450</u>	<u>79,850</u>
	<u>779,465</u>	<u>582,619</u>
	<u>1,162,565</u>	<u>934,219</u>

The Group's borrowings are all denominated in RMB.

Notes:

- (a) As at 30 June 2024, non-current bank borrowing with principal amount of RMB184.0 million (31 December 2023: RMB189.0 million) bears a fixed interest rate of 4.3% per annum (31 December 2023: 4.3% per annum), with Zhonghui Financial Building as the pledge. It is repaid in a scheduled instalments within 12 years.

As at 30 June 2024, non-current bank borrowing with principal amount of RMB70.0 million (31 December 2023: RMB80.0 million) bears a fixed interest rate of 4.2% per annum (31 December 2023: 4.2% per annum). It is secured by all shares of a subsidiary of the Group and guaranteed by two subsidiaries of the Group. It is repaid in a scheduled instalments within 4 years.

As at 30 June 2024, non-current bank borrowing with principal amount of RMB57.0 million (31 December 2023: RMB Nil) bears a fixed interest rate of 3.25% per annum (31 December 2023: not applicable). It is guaranteed by a subsidiary of the Group. It is repaid in a scheduled instalments within 10 years.

As at 30 June 2024, non-current bank borrowings with total principal amount of RMB72.1 million (31 December 2023: RMB82.6 million) bear fixed interest rate ranging from 3.3% to 4.9% per annum (31 December 2023: from 3.3% to 4.9% per annum). They are guaranteed by two subsidiaries of the Group/guaranteed by Jiangsu Wuzhong Group Co., Ltd. ("Wuzhong Group"). They are repaid in a scheduled instalments within 2 to 3 years.

As at 30 June 2024, there are no undrawn bank borrowing facilities (31 December 2023: same).

- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 2.6% to 6.5% per annum as at 30 June 2024 (31 December 2023: from 2.6% to 6.5% per annum).

As at 30 June 2024, bank borrowing with principal amount of RMB19.0 million (31 December 2023: RMB20.0 million) is secured by a structured deposit of RMB20.0 million (31 December 2023: RMB20.0 million).

As at 30 June 2024, bank borrowings with principal amount of RMB86.0 million (31 December 2023: RMB88.0 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (of which one of the Ultimate Shareholders has not provided any guarantee).

As at 30 June 2024, bank borrowings with principal amount of RMB70.0 million (31 December 2023: RMB40.0 million) are guaranteed by Wuzhong Group.

As at 30 June 2024, bank borrowings with principal amount of RMB20.0 million (31 December 2023: RMB20.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. and counter-guaranteed by Wuzhou Group and its two subsidiaries.

As at 30 June 2024, bank borrowing with principal amount of RMB10.0 million (31 December 2023: RMB10.0 million) is guaranteed by Jiangsu Jinchuang Financing Re-guarantee Co., Ltd.

- (c) As at 30 June 2024, borrowings from other companies bear a fixed interest rate of ranging from 6.5% to 9.0% per annum (31 December 2023: from 6.5% to 9.0% per annum).
- (d) As at 30 June 2024, borrowings from micro-finance companies with principal amount of RMB50.0 million (31 December 2023: RMB50.0 million) are guaranteed by Wuzhong Jiaye.
- (e) As at 30 June 2024, borrowings from the Group's employees bear a fixed interest rate ranging from 7.5% to 8.0% per annum (31 December 2023: from 7.5% to 8.0% per annum).

The primary objectives of the Group's treasury management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value. The Group has continued to adopt a conservative treasury policy. The Board and management has been closely monitoring the Group's liquidity position, performing ongoing credit evaluations and monitoring the financial conditions of its customers in order to ensure the Group's healthy cash position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or raise/repay debts.

As at 30 June 2024, the gearing ratio of the Group was 38.60%. The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings net of cash and cash equivalents. Total capital is calculated as "total equity" as shown in the interim condensed consolidated statement of financial position plus net debt. The Group's strategy is to maintain a gearing ratio below 50% and to meet the compliance requirements of Wuzhong Pawnshop on aggregate amount of loans to customers at all times.

For the six months ended 30 June 2024, the Group did not use any financial instruments for hedging purposes.

5. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of property, plant and equipment, intangible assets and investment properties. Our capital expenditure was RMB6,581 thousand for the six months ended 30 June 2024, as compared to RMB14,190 thousand for the corresponding period of last year.

6. EXPOSURE TO FOREIGN EXCHANGE RISK

For the six months ended 30 June 2024, the net foreign currency losses of the Group were RMB266 thousand, representing a decrease as compared to the net foreign currency gains of RMB880 thousand for the corresponding period of last year. The Group is free from material foreign exchange risk and does not conduct any related hedging as it concludes deals in RMB.

7. PLEDGE OF ASSETS

As at 30 June 2024, land-use rights and investment properties totalling of RMB184.8 million (31 December 2023: RMB184.8 million) of the Group are pledged with banks to secure the Group's borrowings with principal amount of RMB184 million (31 December 2023: RMB189.0 million).

As at 30 June 2024, structured deposits with principal amount of RMB20.0 million (31 December 2023: RMB20.0 million) of the Group are pledged with banks to secure the Group's borrowings with principal amount of RMB19.0 million (31 December 2023: RMB20.0 million).

Save as disclosed above, during the six months ended 30 June 2024, the Group did not have any pledge of assets.

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

8.1 Acquisition and Disposal of Guangda Education

Reference is made to the announcement of the Company dated 17 August 2023 and the supplemental announcement of the Company dated 30 August 2023 in relation to the acquisition and disposal of Guangda Education. As at 30 June 2024, the Acquisition of Guangda Education has been completed and the Company will pay close attention to the progress of the disposal of Guangda Education in the future. As at 30 June 2024, the fair value of Guangda Education which was accounted for as financial assets held under resale agreement was RMB212,703 million, accounting for 6.0% of the total assets of the Group. For the year ended 30 June 2024, the Group achieved consulting service income of RMB0.7 million and interest income of RMB13,043 million through this investment. The strategy of the Group is to actively seek opportunities in relation to provision of financing solutions to customers in the areas of restructuring of companies and judicial auction of assets. The Board considers that the income from the acquisition and the disposal represents an opportunity for the Group to generate an investment return while providing services to its customers within its ordinary and usual course of business, thereby creating a win-win situation. The Board has

discussed and approved the transaction contemplated under the agreements mentioned above and is of the view that such transactions will bring benefits and create value to the Company and its shareholders as a whole.

8.2 Acquisition and Disposal of Zhongzhu Square

Huifang Supply Chain and an independent party (the “Ultimate Purchaser”) established Huifang Zhongde and Huifang Yunqi (the “Purchaser”), a wholly-owned subsidiary of Huifang Zhongde. The Purchaser is a special purpose vehicle for the purpose of the Project Square Acquisition.

On 16 January 2024, Huifang Supply Chain and the Ultimate Purchaser entered into a pre-acquisition agreement (the “Pre-acquisition Agreement”), pursuant to which the Purchaser shall participate in the auction with a view of acquiring Zhongzhu Square from the Suzhou Wuzhong People’s Court. On the same date, the Purchaser successfully won the auction at the consideration of RMB88.4 million (the “Acquisition Consideration”), of which a deposit for the auction of RMB17.68 million (prior to the entering into the Pre-Acquisition Agreement, on 12 January 2024 and 15 January 2024, the Ultimate Purchaser fully paid the auction deposit to Huifang Supply Chain, which forms part of the disposal consideration) and the balance of the Acquisition Consideration of RMB70.72 million was paid on 31 January 2024 and 5 February 2024. Upon completion of the Project Square Acquisition, the Purchaser shall be the registered owner of Zhongzhu Square (the “Acquisition”).

On 16 January 2024, Qingdao Wanchen and the Ultimate Purchaser entered into a consultation services agreement, pursuant to which Qingdao Wanchen shall provide to the Ultimate Purchaser consultation services in respect of the Project Square Acquisition for a one-year term at a consultation fee of RMB710 thousand (the “Consultation Fee”). On 28 December 2023, the Ultimate Purchaser fully paid Qingdao Wanchen the Consultation Fee.

According to the Pre-acquisition Agreement, the Ultimate Purchaser shall effect the disposal of 95% of the equity interest by Huifang Supply Chain in Huifang Zhongde to the Ultimate Purchaser (the “Resale Agreement”) at the amount (the “Disposal Consideration”) of RMB96.67 million (or RMB100.81 million should Huifang Supply Chain grant a grace period for the payment of the Disposal Consideration 2nd Instalment of up to six months upon a written application by the Ultimate Purchaser), i.e. the sum of the Acquisition Consideration and the management fee in the amount of RMB8.27 million to be paid by the Ultimate Purchaser to Huifang Supply Chain. The Ultimate Purchaser shall pay the Disposal Consideration in full (i.e. Disposal Consideration 2nd Instalment) on or before 28 February 2025 in accordance with the Pre-acquisition Agreement.

The commercial substance of the aforementioned series of transactions is to provide the Ultimate Purchaser with the necessary financing for its acquisition of Zhongzhu Square. Following the completion of the Acquisition, the Acquisition Consideration of RMB88.4 million will be accounted for as financial assets held under the Resale Agreement, accounting

for 2.5% of the total assets of the Group, and the difference between the Acquisition Consideration and the Disposal Consideration is recognised as interest income during the term of the Pre-acquisition Agreement using the effective interest method.

For further details of the above-mentioned transactions, please refer to the announcement of the Company dated 16 January 2024 and the supplemental announcement of the Company dated 31 January 2024.

As at 30 June 2024, save for the acquisition and disposal of Guangda Education, the fair value of each of the abovementioned investments was less than 5% of the total assets of the Group. As at 30 June 2024, save for the acquisition and disposal of Guangda Education, the Group did not hold significant investments in the equity interests of any other companies. The Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

9.1 Contingencies

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: same).

9.2 Commitments

(a) Capital commitments

Name of investee company	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Suzhou Cibe Management Consulting Partnership (LP)* (蘇州次貝企業管理諮詢合夥企業(有限合夥)) ("Suzhou Cibe") (note (a))	40,878	39,626
Qianhui Tongcui (note (b))	10,000	10,000
Suzhou Kangli Junzhuo Digital Economy Industry Investment Fund Partnership (LP)* (蘇州康力君卓數字 經濟產業投資基金合夥企業(有限合夥)) ("Kangli Junzhuo") (note (c))	5,000	5,000
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP)* (蘇州中鑫恆遠創業投資合夥企業(有限合夥)) ("Zhongxin Hengyuan") (note (d))	2,000	2,000
	<u>57,878</u>	<u>56,626</u>

Notes:

- (a) The committed capital injection to Suzhou Cibe is RMB45 million, of which RMB40.9 million (31 December 2023: RMB39.6 million) has not been paid by the Group as at 30 June 2024.
- (b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million (31 December 2023: RMB10.0 million) has not been paid by the Group as at 30 June 2024.
- (c) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB5.0 million (31 December 2023: RMB5.0 million) has not been paid by the Group as at 30 June 2024.
- (d) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million (31 December 2023: RMB2.0 million) has not been paid by the Group as at 30 June 2024.

9.3 Cash Usage Analysis

As at 30 June 2024, the Group's cash and cash equivalents amounted to RMB124,268 thousand, representing an decrease of RMB14,777 thousand as compared to the end of last year. The Group's cash and cash equivalents were denominated in RMB, USD and HKD. The following table sets forth a summary of our cash flows for the indicated periods:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net cash (outflow)/inflow from operating activities	(207,990)	44,834
Net cash inflow from investing activities	3,772	13,942
Net cash inflow/(outflow) from financing activities	<u>189,441</u>	<u>(22,876)</u>
Net (decrease)/increase in cash and cash equivalents	<u><u>(14,777)</u></u>	<u><u>35,900</u></u>
Effects of foreign exchange rate changes on cash and cash equivalents	<u><u>(523)</u></u>	<u><u>106</u></u>

Net Cash Flow from Operating Activities

During the Reporting Period, net cash outflow from operating activities amounted to RMB207,990 thousand, mainly due to the increase in loans to customers and financial assets held under the resale agreement.

Net Cash Flow from Investing Activities

During the Reporting Period, net cash inflow from investing activities amounted to RMB3,772 thousand, mainly due to the cash inflow from the decrease in investment by Suzhou Cibe and the sale of stocks.

Net Cash Flow from Financing Activities

During the Reporting Period, net cash inflow from financing activities amounted to RMB189,441 thousand, mainly due to the increase in the amount of bank borrowings, borrowings from other companies, and borrowings from the Group's employees.

10. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 30 June 2024, the Group had a total of 157 full-time employees, decreasing from 160 as at 31 December 2023. The Company will continue to carry out human resource optimization and adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

For the six months ended 30 June 2024, employee remuneration and benefits increased by RMB1,326 thousand to RMB20,626 thousand from the corresponding period last year.

The Group reviews its remuneration policy on an annual basis and discretionary bonus is paid on an annual basis with reference to the Group's performance and individual performance. We adhere to fostering a working environment with opportunities for learning and career development for our employees, and the Group provides employees with a comprehensive range of staff training scheme, including financial knowledge, compliance and leadership management, so as to help them achieve both their personal and professional development goals.

Pursuant to the applicable PRC regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We have been in compliance with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material respects. We are not subject to any collective bargaining agreements.

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made and can not use the forfeited contributions.

Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves the Group.

11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Save for the capital commitments disclosed in paragraph 9.2 of this announcement, the Group has no other plans for material investments or acquisition of capital assets. However, the Group will continue to seek new business development opportunities.

12. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no significant event after 30 June 2024.

PROSPECTS

Inclusive Finance Business Division: The Company will strengthen its confidence in business development and hold to the bottom line of risk. The pawnshop business will carefully control the proportion structure of large-sums and small-sums loans, do a good job in long-term management of large-sums loans, and adjust risk control standards dynamically in a timely manner. The technology micro-finance business will actively cooperate with state-owned companies of the same trade by utilizing the advantages of conducting business in Jiangsu Province, PRC. The turnover loan funds business will respond to policy guidance and leverage the economic role of financial institution in serving real economy. The art investment business will explore innovative cooperation models to find a sustainable development path.

Ecology Finance Business Division: The commercial factoring business will enhance cooperation with state-owned companies of the same trade and actively reserve underlying assets suitable for mainstream banking institutions. The financing leasing business will expand into high-value equipment direct finance leasing business. The supply chain management business will explore new business growth points and continue to contribute stable revenue. The equity investment business will focus on post-investment management and will prudently invest in new projects. The special asset investment business will track the exit of existing projects and strengthen channel cooperation to seek new projects. The insurance brokerage business will maintain existing business and promote the implementation of innovative insurance types, such as co-insurance.

Headquarters and Others: The Company will enhance its proactive risk management capabilities by utilizing financial technology to strengthen the analysis and monitoring of internal and external data, and allocating credit funds rationally. We will also improve the financing capacity and diversify sources of funds. Additionally, the Company will promote the optimization of human resources and drive the improvement of employee quality and capabilities.

DIVIDEND

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

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2024.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code (the "CG Code") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the Board, the Company has complied with the principles and code provisions as set out in the CG Code throughout the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all Directors, and the Directors have confirmed that they had complied with the Model Code during the six months ended 30 June 2024.

CHANGE IN DIRECTORS' INFORMATION

From 1 January 2024 to the date of this announcement, the changes in the directors' information of the Company are as follows:

Mr. TSE Yat Hong, an independent non-executive Director of the Company, has ceased to be an independent non-executive director of E-Star Commercial Management Company Limited (星盛商業管理股份有限公司) (the shares of which are listed on the Stock Exchange (Stock Code: 06668)) since 8 May 2024.

The basic emoluments for Mr. Wu Min, an executive Director, has been changed to RMB764,000 and HK\$600,000 per annum, with effect from 1 March 2024.

The basic emoluments for Mr. Qiu Wei, an executive Director, has been changed to RMB720,000 per annum, with effect from 1 January 2024.

The basic emoluments for Mr. Zhang Changsong, an executive Director, has been changed to RMB324,000 and HK\$480,000 per annum, with effect from 1 March 2024.

The basic emoluments for Mr. Yao Wenjun, an executive Director, has been changed to RMB660,000 per annum, with effect from 1 January 2024.

REVIEW OF INTERIM RESULTS

The accounting information contained in this announcement has not been audited by the independent auditor of the Company. However, the audit committee of the Company together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2024. In addition, the independent auditor of the Company has reviewed the unaudited interim financial information for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2024 is published on the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cnhuirong.com) respectively. The 2024 interim report will be published on the respective website of the Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board
China Huirong Financial Holdings Limited
WU Min
Chairman

Suzhou China, 28 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Wu Min, Mr. Qiu Wei, Mr. Zhang Changsong and Mr. Yao Wenjun, the non-executive directors of the Company are Mr. Ling Xiaoming and Mr. Mao Zhuchun and the independent non-executive directors of the Company are Mr. Liang Jianhong, Mr. Feng Ke and Mr. Tse Yat Hong.

* *For identification purposes only*