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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 2021

HIGHLIGHTS

	Six months ended 30 June		Change %
	2021 RMB'000	2020 RMB'000	
Operating Results			
Operating income	134,754	138,174	-2%
Operating expenses	14,509	22,832	-36%
Profit attributable to owners of the Company	14,776	893	1,555%
Basic earnings per share (RMB Yuan)	0.014	0.001	1,300%
	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000	Change %
Financial Position			
Total assets	2,712,986	2,532,555	7%
Loans to customers	1,888,767	1,814,211	4%
Cash at bank and cash on hand	417,597	434,080	-4%
Net assets	1,948,514	1,941,898	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 2021 (the “Reporting Period”) as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2021 Unaudited	2020 Unaudited
Interest income	7	132,020	132,488
Revenue from commodities trading	8	575	—
Consultancy fee income	9	298	2,276
Commission fee income	10	<u>1,861</u>	<u>3,410</u>
Operating income		<u>134,754</u>	<u>138,174</u>
Interest expense	11	(12,705)	(18,977)
Costs for commodities trading	8	(484)	—
Commission fee expense	10	<u>(1,320)</u>	<u>(3,855)</u>
Operating costs		<u>(14,509)</u>	<u>(22,832)</u>
Net investment gains/(losses)	12	5,494	(7,952)
Expected credit losses	13	(57,738)	(79,097)
Net gains/(losses) on derecognition of financial assets measured at amortized cost		485	(417)
Other operating income		<u>330</u>	<u>1,448</u>
Net operating income		68,816	29,324
General and administrative expenses	14	(31,395)	(28,776)
Other (losses)/gains, net		<u>(2,274)</u>	<u>11,722</u>
Operating profit and profit before income tax		35,147	12,270
Income tax expense	15	<u>(12,083)</u>	<u>(7,488)</u>
Profit for the period		<u>23,064</u>	<u>4,782</u>

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		Unaudited	Unaudited
Profit is attributable to:			
— Owners of the Company		14,776	893
— Non-controlling interests		<u>8,288</u>	<u>3,889</u>
Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)			
— Basic earnings per share	<i>16</i>	0.014	0.001
— Diluted earnings per share	<i>16</i>	<u>0.013</u>	<u>0.001</u>
Other comprehensive income for the period, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>23,064</u>	<u>4,782</u>
Total comprehensive income for the period is attributable to:			
— Owners of the Company		14,776	893
— Non-controlling interests		<u>8,288</u>	<u>3,889</u>
		<u>23,064</u>	<u>4,782</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(All amounts in RMB thousands unless otherwise state)

	<i>Note</i>	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		1,030	841
Right-of-use assets		43,078	43,961
Properties under development		63,631	11,769
Investment properties		1,680	1,621
Intangible assets		2,833	3,373
Loans to customers	18	133,378	110,762
Deferred income tax assets		83,130	87,744
Investments accounted for using the equity method		11,630	1,500
Financial assets at fair value through profit or loss		<u>—</u>	<u>440</u>
Total non-current assets		<u>340,390</u>	<u>262,011</u>
Current assets			
Inventories		1,233	—
Other current assets		28,362	25,036
Commission fee receivables		180	557
Loans to customers	18	1,755,389	1,703,449
Financial assets at fair value through profit or loss		169,835	107,422
Cash at bank and cash on hand	19	<u>417,597</u>	<u>434,080</u>
Total current assets		<u>2,372,596</u>	<u>2,270,544</u>
Total assets		<u><u>2,712,986</u></u>	<u><u>2,532,555</u></u>

	<i>Note</i>	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
EQUITY			
Equity attributable to the owners of the Company			
Share capital	20	8,641	8,641
Share premium	21	602,729	602,728
Other reserves	21	593,774	593,774
Retained earnings		<u>590,204</u>	<u>575,428</u>
		1,795,348	1,780,571
Non-controlling interests		<u>153,166</u>	<u>161,327</u>
Total equity		<u>1,948,514</u>	<u>1,941,898</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,581	6,491
Borrowings	22	<u>95,380</u>	<u>50,380</u>
Total non-current liabilities		<u>100,961</u>	<u>56,871</u>
Current liabilities			
Other current liabilities		57,833	22,552
Current income tax liabilities		19,807	21,813
Amounts due to related parties		633	25,672
Dividends payable		2,678	1,262
Lease liabilities		2,680	2,498
Borrowings	22	<u>579,880</u>	<u>459,989</u>
Total current liabilities		<u>663,511</u>	<u>533,786</u>
Total liabilities		<u>764,472</u>	<u>590,657</u>
Total equity and liabilities		<u>2,712,986</u>	<u>2,532,555</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(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”) is incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law (2010 revision) 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) (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”), as well as consultancy and insurance agency services.

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

The interim condensed consolidated financial information is presented in thousands of Renminbi (RMB’000), unless otherwise stated.

This interim condensed consolidated financial information has been approved and authorized for issue by the board of directors (the “Board”) of the Company on 27 August 2021.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcement made by the Group during the six months ended 30 June 2021.

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank and other financial institution facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of financing from bank and other financial institution for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries and assessments, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial information. Further information on the Group's borrowings is given in Note 22.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the consolidated financial statements for the year ended 31 December 2020.

3.1 New and amended standards adopted by the Group

A number of new or 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

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

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 2020.

5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Managing risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management is carried out by a Central Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk, market risk and liquidity risk.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. The Group regularly reviews its risk management policies and procedures to reflect changes in markets and products.

The interim condensed consolidated financial information does not include financial risk management information and disclosures required in the annual financial statements, except for a few credit risk disclosures to enhance the readers' understanding of the Group's credit exposure, and should be read in conjunction with the consolidated financial statements for the years ended 31 December 2020.

There have been no changes in the risk management policies since 31 December 2020.

5.1 Financial risk factors

(a) *Credit risk*

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or those in credit quality of a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans to customers in the Group's asset portfolio, but can also from interest receivable from bank deposits and other receivables.

The inputs, assumptions and estimation techniques used in measuring the Expected credit loss ("ECL") allowances and the forward-looking information incorporated in the ECL models are consistent with those adopted in 2020.

(i) *Credit risk exposure*

The following table contains an analysis of the credit risk exposure of financial instruments at amortized cost 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 2021			
	ECL staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Unaudited				
Loans to customers				
Secured loans to customers (a)	550,467	15,040	874,996	1,440,503
Unsecured loans to customers (b)	<u>838,406</u>	<u>15,771</u>	<u>250,481</u>	<u>1,104,658</u>
Gross carrying amount	1,388,873	30,811	1,125,477	2,545,161
Loss allowances	<u>(30,391)</u>	<u>(6,742)</u>	<u>(619,261)</u>	<u>(656,394)</u>
Carrying amount	<u>1,358,482</u>	<u>24,069</u>	<u>506,216</u>	<u>1,888,767</u>
Term deposits with banks				
Credit grade				
AAA	<u>324,159</u>	<u>—</u>	<u>—</u>	<u>324,159</u>
Gross carrying amount	324,159	—	—	324,159
Loss allowances	<u>(164)</u>	<u>—</u>	<u>—</u>	<u>(164)</u>
Carrying amount	<u>323,995</u>	<u>—</u>	<u>—</u>	<u>323,995</u>
Other current assets				
(excluding repossessed assets)				
Gross carrying amount	10,949	—	2,445	13,394
Loss allowances	<u>—</u>	<u>—</u>	<u>(1,561)</u>	<u>(1,561)</u>
Carrying amount	<u>10,949</u>	<u>—</u>	<u>884</u>	<u>11,833</u>
Guarantee and commitment				
Financial guarantees exposure	<u>43,450</u>	<u>—</u>	<u>—</u>	<u>43,450</u>

As at 31 December 2020				
ECL staging				
Audited	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers				
Secured loans to customers (a)	386,444	9,447	870,605	1,266,496
Unsecured loans to customers (b)	<u>890,175</u>	<u>—</u>	<u>261,210</u>	<u>1,151,385</u>
Gross carrying amount	1,276,619	9,447	1,131,815	2,417,881
Loss allowances	<u>(33,853)</u>	<u>(2,160)</u>	<u>(567,657)</u>	<u>(603,670)</u>
Carrying amount	<u><u>1,242,766</u></u>	<u><u>7,287</u></u>	<u><u>564,158</u></u>	<u><u>1,814,211</u></u>
Term deposits with banks				
Credit grade				
AAA	<u>325,306</u>	<u>—</u>	<u>—</u>	<u>325,306</u>
Gross carrying amount	325,306	—	—	325,306
Loss allowances	<u>(164)</u>	<u>—</u>	<u>—</u>	<u>(164)</u>
Carrying amount	<u><u>325,142</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>325,142</u></u>
Other current assets				
(excluding repossessed assets)				
Gross carrying amount	4,513	—	2,563	7,076
Loss allowances	<u>—</u>	<u>—</u>	<u>(1,607)</u>	<u>(1,607)</u>
Carrying amount	<u><u>4,513</u></u>	<u><u>—</u></u>	<u><u>956</u></u>	<u><u>5,469</u></u>
Guarantee and commitment				
Financial guarantees exposure	<u>48,550</u>	<u>—</u>	<u>—</u>	<u>48,550</u>

(a) Secured loans to customers comprise real estate backed loans and personal property backed loans.

(b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and other unsecured loans.

(ii) *Concentration of risks of financial assets with credit risk exposure*

The Group maintains a diversified client base. The gross carrying amount from the top five customers accounted for 26.3% of total gross carrying amount as at 30 June 2021 (31 December 2020: 27.2%). Interest income from the top five customers accounted for 24.4% of total interest income for the six months ended 30 June 2021 (2020: 28.0%).

(iii) *Collateral and other credit enhancement*

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for loans granted. The Group's internal policies on the acceptability of specific classes of collateral or credit risk mitigation are consistent with those adopted in 2020.

5.2 Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) *Fair value hierarchy*

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value at 30 June 2021 and 31 December 2020 on a recurring basis:

Unaudited	Level 1	Level 2	Level 3	Total
As at 30 June 2021				
Financial assets at fair value through profit or loss				
— Equity investments	26,541	—	—	26,541
— Structured deposits	<u>—</u>	<u>—</u>	<u>143,294</u>	<u>143,294</u>
	<u>26,541</u>	<u>—</u>	<u>143,294</u>	<u>169,835</u>
Audited	Level 1	Level 2	Level 3	Total
As at 31 December 2020				
Financial assets at fair value through profit or loss				
— Equity investments	24,542	440	—	24,982
— Structured deposits	<u>—</u>	<u>—</u>	<u>82,880</u>	<u>82,880</u>
	<u>24,542</u>	<u>440</u>	<u>82,880</u>	<u>107,862</u>

There are no transfers between levels during the period.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group does not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2021.

(b) Valuation techniques used to determine fair value

The fair value of structured deposits in level 3 are calculated by applying the discounted cash flow model as at 30 June 2021 and 31 December 2020.

(c) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the six months ended 30 June 2021 and for the year ended 31 December 2020:

	Structured deposits
Opening balance as at 31 December 2020	82,880
Disposals	(4,500)
Acquisitions	63,000
Unrealized gains recognized in net investment gains	<u>1,914</u>
Closing balance as at 30 June 2021	<u><u>143,294</u></u>
Including: unrealized gains recognized in profit or loss attributable to balances held at the end of the period	
	<u><u>1,914</u></u>
	Structured deposits
Opening balance as at 1 January 2020	—
Acquisitions	<u>82,880</u>
Closing balance as at 31 December 2020	<u><u>82,880</u></u>

(d) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 30 June 2021	Unobservable inputs	Range of inputs 30 June 2021	Relationship of unobservable inputs to fair value
Structured deposits	143,294	Discount rate	1.87%–2.43%	The lower the discount rate, the higher the fair value
		Expected yield to maturity	2.08%–3.70%	The higher the expected yield to maturity, the higher the fair value

5.3 Fair value of non-financial assets and liabilities

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
As at 30 June 2021				
Investment properties	<u>—</u>	<u>1,680</u>	<u>—</u>	<u>1,680</u>
	Level 1	Level 2	Level 3	Total
As at 31 December 2020				
Investment properties	<u>—</u>	<u>1,621</u>	<u>—</u>	<u>1,621</u>

(b) Valuation techniques used to determine fair value

At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates. The fair value is based on current prices in local market for similar properties. All resulting fair value estimates for properties are included in level 2.

6 SEGMENT INFORMATION

The Company's board of directors 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 three operating and reportable segments for the six months ended 30 June 2021 (31 December 2020: the Group manages its business under four operating and reportable segments).

(a) Business segments

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

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

Technology finance business division: The division mainly dedicates services to supply chain technology, loan facilitation technology and factoring technology.

Insurance brokerage business division: The insurance brokerage business division mainly engages in insurance agency business.

As there is no longer any business operation of the Online lending intermediary business division, the Group ceased this division for the six months ended 30 June 2021.

(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 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 consolidated statement of financial position. These assets and liabilities are allocated based on the operations of the segment.

	For the six months ended 30 June 2021					
Unaudited	Inclusive finance business division	Technology finance business division	Insurance brokerage business division	Headquarters and others	Elimination	Total
External operating income	115,715	8,856	819	9,364	—	134,754
Internal operating income	339	—	—	—	(339)	—
External operating cost	(4,160)	(1,416)	(1,320)	(7,613)	—	(14,509)
Internal operating cost	(7)	—	—	(339)	346	—
Net investment gains	—	—	—	5,494	—	5,494
Expected credit losses	(54,313)	(2,265)	—	(1,160)	—	(57,738)
Net gains on derecognition of financial assets measured at amortized cost	485	—	—	—	—	485
Other operating income	99	213	7	18	(7)	330
General and administrative expenses	(12,230)	(3,363)	(829)	(14,973)	—	(31,395)
Other (losses)/gains, net	375	(393)	—	(2,256)	—	(2,274)
Profit/(Loss) before income tax	46,303	1,632	(1,323)	(11,465)	—	35,147
Capital expenditure	(477)	(6)	—	(17,747)	—	(18,230)
	As at 30 June 2021					
Unaudited	Inclusive finance business division	Technology finance business division	Insurance brokerage business division	Headquarters and others	Elimination	Total
Segment assets	1,823,439	214,016	3,677	3,099,498	(2,427,644)	2,712,986
Segment liabilities	(164,315)	(87,166)	(10)	(627,526)	114,545	(764,472)

For the six months ended 30 June 2020

Unaudited	Inclusive finance business division	Technology finance business division	Online	Insurance brokerage business division	Headquarter and others	Elimination	Total
			lending intermediary business division				
External operating income	115,861	4,460	2,285	3,207	12,361	—	138,174
Internal operating income	1,317	—	—	—	—	(1,317)	—
External operating cost	(6,848)	(22)	—	(3,855)	(12,107)	—	(22,832)
Internal operating cost	—	—	—	—	(1,317)	1,317	—
Net investment losses	—	—	—	—	(7,952)	—	(7,952)
Expected credit losses	(73,985)	(2,110)	—	—	(3,002)	—	(79,097)
Net losses on derecognition of financial assets measured at amortized cost	(416)	—	—	—	—	—	(416)
Other operating income	876	398	3	42	129	—	1,448
General and administrative expenses	(10,306)	(4,107)	(1,824)	(892)	(11,647)	—	(28,776)
Other gains, net	126	765	—	—	10,830	—	11,721
Profit/(Loss) before income tax	26,625	(616)	464	(1,498)	(12,705)	—	12,270
Capital expenditure	11	89	(138)	—	(2,298)	—	(2,336)

As at 31 December 2020

Audited	Inclusive finance business division	Technology finance business division	Online	Insurance brokerage business division	Headquarters and others	Elimination	Total
			lending intermediary business division				
Segment assets	1,876,635	183,769	18,845	4,719	2,797,726	(2,349,139)	2,532,555
Segment liabilities	(182,463)	(62,936)	(14)	(58)	(460,148)	114,962	(590,657)

7 INTEREST INCOME

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Interest income from loans to customers		
— Secured loans to customers	74,873	71,872
— Unsecured loans to customers	53,986	52,433
Interest income from bank deposits	3,161	8,183
	132,020	132,488

8 REVENUE FROM AND COSTS FOR COMMODITIES TRADING

	Six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Revenue from commodities trading		
— <i>As principal</i>	530	—
— <i>As agent</i>	<u>45</u>	<u>—</u>
	<u><u>575</u></u>	<u><u>—</u></u>
Costs for commodities trading		
— <i>As principal</i>	<u>484</u>	<u>—</u>
	<u><u>484</u></u>	<u><u>—</u></u>

When another party is involved in providing commodities to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified commodities itself (i.e. the Group is a principal) or to arrange for those commodities to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified commodities before that it is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified commodity by another party, where the Group does not control the specified commodity before its transferral to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission which it expects to be entitled to, in exchange for the arrangement for the specified commodities to be provided by the other party.

9 CONSULTANCY FEE INCOME

	Six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Loan consultancy fee income	298	—
P2P platform consultancy fee income	—	2,270
Other consultancy fee income	<u>—</u>	<u>6</u>
	<u><u>298</u></u>	<u><u>2,276</u></u>

10 COMMISSION FEE INCOME AND EXPENSE**Six months ended 30 June****2021** 2020**Unaudited** Unaudited**Commission fee income**

Insurance agency commission fee income

791 3,201

Other commission fee income

1,070 209**1,861** **3,410****Commission fee expense**

Insurance agency commission fee expense

(1,320) (3,855)**(1,320)** **(3,855)****11 INTEREST EXPENSE****Six months ended 30 June****2021** 2020**Unaudited** Unaudited

Interest expense on bank borrowings

11,879 17,052

Interest expense on micro-finance company borrowings

508 1,561

Other interest expenses

318 364**12,705** **18,977****12 NET INVESTMENT GAINS/(LOSSES)****Six months ended 30 June****2021** 2020**Unaudited** Unaudited

Fair value changes from

— financial assets at fair value through profit or loss

3,913 —

— derivative financial assets

— (7,952)

Cash dividend from

— financial assets at fair value through profit or loss

1,581 —**5,494** **(7,952)**

13 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Expected credit losses on loans to customers	58,145	78,777
Expected credit losses on financial guarantees	(362)	1,177
Expected credit losses on other current assets	(45)	(857)
	<u>57,738</u>	<u>79,097</u>

14 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Employee benefit expenses	17,753	16,918
Professional and consultancy fees	5,229	2,868
Depreciation and amortization	2,316	2,657
Telephone, utilities and office expenses	1,800	1,005
Operating lease payments	1,206	1,196
Transportation, meal and accommodation	1,205	1,498
Value-added tax surcharges	665	688
Auditors' remuneration	600	600
Advertising expense	216	82
Commission fee	139	184
Other expenses	266	1,080
	<u>31,395</u>	<u>28,776</u>

15 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Current income tax	7,469	16,196
Deferred income tax	4,614	(8,708)
	<u>12,083</u>	<u>7,488</u>

The difference between the actual income tax charge in the interim condensed consolidated statements 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	
	2021	2020
	Unaudited	Unaudited
Profit before income tax	<u>35,147</u>	<u>12,270</u>
Tax calculated at tax rates applicable to profits in the respective area	9,174	3,326
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	147	187
— Investment income attributable to non-controlling interests	(101)	(238)
— Cash dividends of listed equity securities	(395)	—
— Sundry items	<u>82</u>	<u>1,331</u>
Subtotal	<u>(267)</u>	<u>1,280</u>
Adjustment in respect of prior years	(349)	(790)
Unused tax losses for which no deferred tax asset has been recognized	1,108	1,255
PRC withholding tax	<u>2,417</u>	<u>2,417</u>
Tax charge	<u>12,083</u>	<u>7,488</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% on the assessable profits earned or derived in Hong Kong for the six months ended 30 June 2021 (2020: same).

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% 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% on 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% on 50% of the taxable income amount.

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

16 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 2021 and 2020.

	Six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Profit attributable to owners of the Company (RMB'000)	<u>14,776</u>	<u>893</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>1,087,771</u>	<u>1,087,769</u>
Basic earnings per share (RMB Yuan)	<u><u>0.014</u></u>	<u><u>0.001</u></u>

All profit attributable to owners of the Company is from continuing operations.

(b) Diluted earnings per share

	Six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Profit attributable to owners of the Company (RMB'000)	<u>14,776</u>	<u>893</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>1,087,771</u>	<u>1,087,769</u>
Adjustments for:		
— Share options (in thousands)	<u>10,610</u>	<u>11,133</u>
	<u>1,098,381</u>	<u>1,098,902</u>
Dilutive earnings per share (in RMB)	<u><u>0.013</u></u>	<u><u>0.001</u></u>

All profit attributable to owners of the Company is from continuing operations.

17 DIVIDENDS

No annual dividends in respect of the year ended 31 December 2020 are declared by the Board of Directors by the release date of this financial statement (2020: Based on the total number of ordinary shares of 1,086,787 thousand outstanding on 31 December 2019, a total dividend of HK\$14.1 million (equivalent to RMB13.0 million) is paid out by the Company on 23 June 2020).

18 LOANS TO CUSTOMERS

	30 June 2021 Unaudited	31 December 2020 Audited
Non-current		
Loans to customers, gross		
Unsecured loans	138,376	115,332
— <i>Guaranteed loans</i>	138,376	<i>115,332</i>
Less: ECL allowances	<u>(4,998)</u>	<u>(4,570)</u>
Loans to customers, net	<u>133,378</u>	<u>110,762</u>
Current		
Loans to customers, gross		
Secured loans	1,440,503	1,266,496
— <i>Real estate backed loans</i>	1,410,182	<i>1,238,560</i>
— <i>Personal property backed loans</i>	30,321	<i>27,936</i>
Unsecured loans	966,282	1,036,053
— <i>Equity interest backed loans</i>	448,549	<i>528,730</i>
— <i>Guaranteed loans</i>	232,299	<i>237,854</i>
— <i>Other unsecured loans</i>	285,434	<i>269,469</i>
	<u>2,406,785</u>	<u>2,302,549</u>
Less: ECL allowances		
Secured loans	(417,547)	(363,747)
Unsecured loans	<u>(233,849)</u>	<u>(235,353)</u>
	<u>(651,396)</u>	<u>(599,100)</u>
Loans to customers, net	<u>1,755,389</u>	<u>1,703,449</u>

Loans to customers arise from the Group's lending services.

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 10.00% to 24.00% per annum in the six months ended 30 June 2021 (2020: from 10.00% to 24.00%).

Guaranteed loans granted to customers bear fixed interest rates from 6.00% to 18.00% per annum for the six months ended 30 June 2021 (2020: from 6.00% to 25.20%).

Other unsecured loans granted to customers bear fixed interest rates from 3.80% to 17.00% per annum for the six months ended 30 June 2021 (2020: from 9.00% to 18.00%).

As at 30 June 2021, renewed loans amount to RMB264.2 million (31 December 2020: RMB360.6 million), which include real estate backed loans and equity interest backed loans (31 December 2020: 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 are set out below:

Non-current	As at 30 June 2021		
	Secured loans to customers	Unsecured loans to customers	Total
Unaudited			
Within 3 months	—	14,630	14,630
3–6 months	—	9,649	9,649
6–12 months	—	25,969	25,969
12–24 months	—	83,130	83,130
	—	133,378	133,378
Current	As at 30 June 2021		
Unaudited	Secured loans to customers	Unsecured loans to customers	Total
Within 3 months	295,794	247,234	543,028
3–6 months	87,088	177,523	264,611
6–12 months	131,009	194,429	325,438
12–24 months	18,229	60,888	79,117
Over 24 months	795	—	795
Past due (i)	490,041	52,359	542,400
	1,022,956	732,433	1,755,389

Non-current	As at 31 December 2020		
	Secured loans to customers	Unsecured loans to customers	Total
Audited			
Within 3 months	—	14,325	14,325
3–6 months	—	11,649	11,649
6–12 months	—	84,788	84,788
	<u>—</u>	<u>110,762</u>	<u>110,762</u>
Current	As at 31 December 2020		
	Secured loans to customers	Unsecured loans to customers	Total
Audited			
Within 3 months	191,755	399,846	591,601
3–6 months	92,391	134,185	226,576
6–12 months	64,025	200,438	264,463
12–24 months	19,757	16,102	35,859
Over 24 months	368	—	368
Past due (i)	534,454	50,128	584,582
	<u>902,750</u>	<u>800,699</u>	<u>1,703,449</u>

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

Unaudited	As at 30 June 2021		
	Secured loans to customers	Unsecured loans to customers	Total
Past due within one month	12,115	—	12,115
Past due between one and three months	12,426	11,643	24,069
Past due over three months	465,500	40,716	506,216
	<u>490,041</u>	<u>52,359</u>	<u>542,400</u>
	As at 31 December 2020		
Audited	Secured loans to customers	Unsecured loans to customers	Total
Past due within one month	13,137	—	13,137
Past due between one and three months	7,287	—	7,287
Past due over three months	514,030	50,128	564,158
	<u>534,454</u>	<u>50,128</u>	<u>584,582</u>

(b) **Movements on ECL allowances for loans to customers**

The following tables explain the changes in loss allowances between the beginning of and the end of the period due to these factors:

Non-current	Six months ended 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
Unsecured loans	12-month	Lifetime	Lifetime	
Unaudited	ECLs	ECLs	ECLs	
Loss allowances as at 31 December 2020	4,570	—	—	4,570
New loans to customers originated	958	—	—	958
Changes in PDs/LGDs/EADs	(454)	—	—	(454)
Loans to customers derecognized during the period other than write-offs	(76)	—	—	(76)
Loss allowances as at 30 June 2021	4,998	—	—	4,998
Current	Six months ended 30 June 2021			
Secured loans	Stage 1	Stage 2	Stage 3	Total
Unaudited	12-month	Lifetime	Lifetime	
	ECLs	ECLs	ECLs	
Loss allowances as at 31 December 2020	5,011	2,160	356,576	363,747
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<i>(393)</i>	<i>10,721</i>	<i>—</i>	<i>10,328</i>
<i>Transfers from Stage 2 to Stage 3</i>	<i>—</i>	<i>(6,558)</i>	<i>15,419</i>	<i>8,861</i>
New loans to customers originated	6,120	—	—	6,120
Changes in PDs/LGDs/EADs	(1,744)	(1,644)	39,658	36,270
Unwind of discount	—	—	5,979	5,979
Loans to customers derecognized during the period other than write-offs	(3,557)	(2,065)	(8,136)	(13,758)
Loss allowances as at 30 June 2021	5,437	2,614	409,496	417,547

Current	Six months ended 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
Unsecured loans	12-month	Lifetime	Lifetime	
Unaudited	ECLs	ECLs	ECLs	
Loss allowances as at 31 December 2020	24,272	—	211,081	235,353
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<i>(747)</i>	<i>3,985</i>	<i>—</i>	<i>3,238</i>
<i>Transfers from Stage 2 to Stage 3</i>	<i>—</i>	<i>(285)</i>	<i>3,042</i>	<i>2,757</i>
New loans to customers originated	41,186	—	—	41,186
Changes in PDs/LGDs/EADs	(6,145)	428	3,233	(2,484)
Unwind of discount	—	—	2,312	2,312
Loans to customers derecognized during the period other than write-offs	(38,610)	—	(9,903)	(48,513)
Loss allowances as at 30 June 2021	<u>19,956</u>	<u>4,128</u>	<u>209,765</u>	<u>233,849</u>
Non-current	Year ended 31 December 2020			
Unsecured loans	Stage 1	Stage 2	Stage 3	Total
Audited	12-month	Lifetime	Lifetime	
	ECLs	ECLs	ECLs	
Loss allowances as at 31 December 2019	—	—	—	—
New loans to customers originated	7,549	—	—	7,549
Changes in PDs/LGDs/EADs	(2,914)	—	—	(2,914)
Loans to customers derecognized during the year other than write-offs	(65)	—	—	(65)
Loss allowances as at 31 December 2020	<u>4,570</u>	<u>—</u>	<u>—</u>	<u>4,570</u>

Current	Year ended 31 December 2020			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Secured loans				
Audited				
Loss allowances as at 31 December 2019	4,371	1,745	257,668	263,784
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(1,599)	18,674	—	17,075
<i>Transfers from Stage 2 to Stage 3</i>	—	(12,416)	28,959	16,543
New loans to customers originated	6,740	—	—	6,740
Changes in PDs/LGDs/EADs	513	(58)	75,735	76,190
Unwind of discount	—	—	10,624	10,624
Loans to customers derecognized during the year other than write-offs	(5,014)	(5,785)	(13,088)	(23,887)
Write-offs	—	—	(3,322)	(3,322)
Loss allowances as at 31 December 2020	<u>5,011</u>	<u>2,160</u>	<u>356,576</u>	<u>363,747</u>
Current	Year ended 31 December 2020			
Unsecured loans	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Audited				
Loss allowances as at 31 December 2019	27,921	—	174,339	202,260
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(4,243)	54,958	—	50,715
<i>Transfers from Stage 2 to Stage 3</i>	—	(24,013)	53,678	29,665
New loans to customers originated	126,962	—	1,979	128,941
Changes in PDs/LGDs/EADs	(9,903)	—	16,491	6,588
Unwind of discount	—	—	10,056	10,056
Loans to customers derecognized during the year other than write-offs	(116,465)	(30,945)	(45,306)	(192,716)
Write-offs	—	—	(156)	(156)
Loss allowances as at 31 December 2020	<u>24,272</u>	<u>—</u>	<u>211,081</u>	<u>235,353</u>

(c) **Significant changes in gross carrying amount of loans to customers that contribute to movements on ECL allowances**

The following table explains movement of the gross carrying amount of loans to customers to demonstrate their significance to movement on ECL allowances:

Non-current	Six months ended 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
Unsecured loans	12-month	Lifetime	Lifetime	
Unaudited	ECLs	ECLs	ECLs	
Gross carrying amount as at 31 December 2020	115,332	—	—	115,332
Loans to customers derecognized during the period other than write-offs	(2,000)	—	—	(2,000)
New loans to customers originated	25,000	—	—	25,000
Changes in interest accrual	44	—	—	44
Gross carrying amount as at 30 June 2021	138,376	—	—	138,376
Current	Six months ended 30 June 2021			
Secured loans	Stage 1	Stage 2	Stage 3	Total
Unaudited	12-month	Lifetime	Lifetime	
	ECLs	ECLs	ECLs	
Gross carrying amount as at 31 December 2020	386,444	9,447	870,605	1,266,496
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(48,538)	48,538	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(31,598)	31,598	—
Loans to customers derecognized during the period other than write-offs	(285,918)	(11,510)	(61,365)	(358,793)
New loans to customers originated	497,285	—	—	497,285
Changes in interest accrual	1,194	163	34,158	35,515
Gross carrying amount as at 30 June 2021	550,467	15,040	874,996	1,440,503

Current	Six months ended 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
Unsecured loans	12-month	Lifetime	Lifetime	
Unaudited	ECLs	ECLs	ECLs	
Gross carrying amount as at 31 December 2020	774,843	—	261,210	1,036,053
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<i>(20,656)</i>	<i>20,656</i>	<i>—</i>	<i>—</i>
<i>Transfers from Stage 2 to Stage 3</i>	<i>—</i>	<i>(5,656)</i>	<i>5,656</i>	<i>—</i>
Loans to customers derecognized during the period				
other than write-offs	(1,735,927)	—	(12,068)	(1,747,995)
New loans to customers originated	1,676,077	—	—	1,676,077
Changes in interest accrual	5,941	771	(4,317)	2,395
FX and other movements	(248)	—	—	(248)
Gross carrying amount as at 30 June 2021	700,030	15,771	250,481	966,282
Non-current	Year ended 31 December 2020			
Unsecured loans	Stage 1	Stage 2	Stage 3	Total
Audited	12-month	Lifetime	Lifetime	
	ECLs	ECLs	ECLs	
Gross carrying amount as at 31 December 2019	—	—	—	—
Loans to customers derecognized during the year				
other than write-offs	(1,000)	—	—	(1,000)
New loans to customers originated	116,000	—	—	116,000
Changes in interest accrual	332	—	—	332
Gross carrying amount as at 31 December 2020	115,332	—	—	115,332

Current	Year ended 31 December 2020			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Secured loans				
Audited				
Gross carrying amount as at 31 December 2019	362,602	11,922	797,433	1,171,957
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(87,931)	87,931	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(61,301)	61,301	—
Loans to customers derecognized during the year other than write-offs	(464,886)	(29,080)	(65,000)	(558,966)
New loans to customers originated	577,214	—	—	577,214
Changes in interest accrual	(555)	(25)	80,193	79,613
Write-offs	—	—	(3,322)	(3,322)
Gross carrying amount as at 31 December 2020	<u>386,444</u>	<u>9,447</u>	<u>870,605</u>	<u>1,266,496</u>
Current	Year ended 31 December 2020			
Unsecured loans	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Audited				
Gross carrying amount as at 31 December 2019	750,158	—	247,633	997,791
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(208,499)	208,499	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(86,799)	86,799	—
Loans to customers derecognized during the year other than write-offs	(3,086,305)	(121,700)	(87,705)	(3,295,710)
New loans to customers originated	3,333,958	—	10,500	3,344,458
Changes in interest accrual	(13,386)	—	4,146	(9,240)
Write-offs	—	—	(156)	(156)
FX and other movements	(1,083)	—	(7)	(1,090)
Gross carrying amount as at 31 December 2020	<u>774,843</u>	<u>—</u>	<u>261,210</u>	<u>1,036,053</u>

19 CASH AT BANK AND CASH ON HAND

	30 June 2021 Unaudited	31 December 2020 Audited
Cash on hand	861	968
Demand deposits with banks	89,934	102,744
Deposits with a securities company	88	207
Interest receivable from bank deposits	2,719	5,019
Term deposits with banks with original maturities over 3 months, net	323,995	325,142
<i>Term deposits with banks with original maturities over 3 months, gross</i>	<i>324,159</i>	<i>325,306</i>
<i>Less: ECL allowances</i>	<i>(164)</i>	<i>(164)</i>
	<u>417,597</u>	<u>434,080</u>

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

	30 June 2021 Unaudited	31 December 2020 Audited
RMB	405,381	193,592
US dollar	10,583	240,109
Hong Kong dollar	<u>1,633</u>	<u>379</u>
	<u>417,597</u>	<u>434,080</u>

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

	30 June 2021 Unaudited	31 December 2020 Audited
Cash at bank and cash on hand	417,597	434,080
Less: Unrestricted term deposits with banks with original maturities over 3 months	(37,010)	(36,000)
Interest receivable from bank deposits	(2,719)	(5,019)
Restricted term deposits pledged with banks	<u>(286,985)</u>	<u>(289,142)</u>
	<u>90,883</u>	<u>103,919</u>

As at 30 June 2021, no restricted term USD deposits are pledged with banks to secure bank borrowings (31 December 2020: restricted term deposits of US\$33.8 million, which is equivalent to RMB220.5 million are pledged with banks to secure bank borrowings with principal amount of RMB210.8 million) (Note 22).

As at 30 June 2021, restricted term deposits of RMB287.0 million (31 December 2020: RMB68.6 million) are pledged with banks to secure bank borrowings with principal amount of RMB272.0 million (31 December 2020: RMB65.5 million) (Note 22).

20 SHARE CAPITAL

	Number of shares	Ordinary shares <i>HK\$</i>	Ordinary shares <i>RMB</i>
Issued and fully paid:			
As at 30 June 2021	<u>1,087,771,000</u>	<u>10,877,710</u>	<u>8,640,722</u>
As at 31 December 2020	<u>1,087,769,000</u>	<u>10,877,690</u>	<u>8,640,705</u>

(i) Movements in ordinary shares

	Number of shares	Ordinary shares <i>HK\$</i>	Ordinary shares <i>RMB</i>
Details			
Opening balance 1 January 2021	1,087,769,000	10,877,690	8,640,705
Issue of shares under employee share scheme	<u>2,000</u>	<u>20</u>	<u>17</u>
Balance 30 June 2021	<u>1,087,771,000</u>	<u>10,877,710</u>	<u>8,640,722</u>

21 SHARE PREMIUM AND OTHER RESERVES

	Other reserves					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	
At 1 January 2020	601,993	506,963	77,715	4,417	7,171	1,198,259
Issue of ordinary shares under employee share scheme (a)	735	—	—	—	(187)	548
Transactions with non-controlling interests	—	(555)	—	—	—	(555)
Capital injections from non-controlling interests	—	(1,750)	—	—	—	(1,750)
At 30 June 2020	602,728	504,658	77,715	4,417	6,984	1,196,502
At 1 January 2021	602,728	504,658	77,715	4,417	6,984	1,196,502
Issue of ordinary shares under employee share scheme (a)	1	—	—	—	—	1
Transactions with non-controlling interests	—	—	—	—	—	—
Capital injections from non-controlling interests	—	—	—	—	—	—
At 30 June 2021	602,729	504,658	77,715	4,417	6,984	1,196,503

(a) **Share-based payments**

The grant of share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group was approved on 13 September 2016. The options have a contractual option term of five years and will expire on 12 September 2021. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Set below are summaries of options granted and forfeited under the plan:

Unaudited	Six months ended 30 June 2021	
	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January	0.62	25,269
Granted	—	—
Exercised	0.62	(2)
Forfeited	—	—
	<hr/>	<hr/>
At 30 June	<u>0.62</u>	<u>25,267</u>
Vested and exercisable as at 30 June 2021	<u>0.62</u>	<u>25,267</u>
	Six months ended 30 June 2020	
Unaudited	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January	0.62	27,238
Granted	—	—
Exercised	0.62	(982)
Forfeited	<u>0.62</u>	<u>(5)</u>
At 30 June	<u>0.62</u>	<u>26,251</u>
Vested and exercisable as at 30 June 2020	<u>0.62</u>	<u>26,251</u>

In 2021, the Company issues 2,000 ordinary shares (2020: 982,000 ordinary shares) in connection with the exercised options under the share-based payments scheme. Consideration received amounts to HK\$1.2 thousand (equivalent to approximately RMB1.0 thousand) (2020: HK\$609 thousand (equivalent to approximately RMB557 thousand)). The excess of RMB1.0 thousand (2020: RMB548 thousand) over the par value of RMB0.02 thousand (2020: RMB9 thousand), plus transfer-in amount of RMB0.4 thousand (2020: RMB187 thousand) previously recognized in share-based payments reserve, is credited to “share premium” with a total amount of RMB1.4 thousand (2020: RMB735 thousand).

22 BORROWINGS

	30 June 2021 Unaudited	31 December 2020 Audited
Non-current		
Bank borrowings (a)	<u>95,380</u>	<u>50,380</u>
Current		
Bank borrowings (b)	568,380	436,489
Borrowings from micro-finance companies (c)	3,000	23,500
Borrowings from other company (d)	<u>8,500</u>	<u>—</u>
	<u>579,880</u>	<u>459,989</u>
	<u>675,260</u>	<u>510,369</u>

(a) As at 30 June 2021, non-current bank borrowing with principle amount of RMB95.4 million (31 December 2020: RMB50.4 million) is borrowed specifically for the construction of China Huirong Headquarters Building. The borrowing is repaid in a scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Jiangsu Wuzhong Group Co., Ltd. (“Wuzhong Group”). As at 30 June 2021, the undrawn bank borrowing facilities are RMB0.1 million (31 December 2020: RMB49.6 million).

(b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.40% to 6.59% per annum in the six months ended 30 June 2021 (2020: fixed rate from 3.60% to 5.95%).

As at 30 June 2021, no bank borrowings are secured by restricted term USD deposits (31 December 2020: bank borrowings with principal amount of RMB210.8 million are secured by restricted term deposits of US\$33.8 million) (Note 19).

As at 30 June 2021, bank borrowings with principal amount of RMB272.0 million (31 December 2020: RMB65.5 million) are secured by restricted term deposits of RMB287.0 million (31 December 2020: RMB68.6 million) (Note 19).

As at 30 June 2021, bank borrowings with principal amount of RMB135.5 million are secured by structured deposits of RMB140.4 million (31 December 2020: nil).

As at 30 June 2021, bank borrowings with principal amount of RMB120.0 million (31 December 2020: RMB120.2 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.

As at 30 June 2021, bank borrowings with principal amount of RMB10.0 million are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. (31 December 2020: nil).

(c) As at 30 June 2021, borrowings from microfinance companies with principal amount of RMB3.0 million are guaranteed by Wuzhong Group (31 December 2020: RMB23.5 million).

- (d) As at 30 June 2021, borrowings from Jiangsu Jinnong Co., Ltd. with principal amount of RMB8.5 million are guaranteed by Jiangsu Jinchuang Credit Re-guarantee Co., Ltd. (31 December 2020: nil).

23 COMMITMENTS

(a) Capital commitments

	30 June 2021 Unaudited	31 December 2020 Audited
China Huirong Headquarter Building	44,534	87,162
Suzhou Huifang Rongcui Management Consulting Co., Ltd ("Huifang Rongcui") (i)	90,000	—
Suzhou Cibe Management Consulting partnership (LP) ("Suzhou Cibe") (ii)	34,870	—
Nanjing Yiling Culture and Art Co., Ltd ("Nanjing Yiling") (iii)	10,250	—
	<u>179,654</u>	<u>87,162</u>

- (i) The committed capital injection to Huifang Rongcui is RMB90.0 million and has not been paid by the Group as at 30 June 2021 (31 December 2020: Nil).
- (ii) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB34.9 million has not been paid by the Group as at 30 June 2021 (31 December 2020: Nil).
- (iii) The committed capital injection to Nanjing Yiling is RMB30.3 million, of which RMB10.3 million has not been paid by the Group as at 30 June 2021 (31 December 2020: Nil).

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-driver strategy of “inclusive finance plus technology finance”, for striving to offer comprehensive financial services to small and medium enterprises (“SMEs”) and individual clients 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 fin-tech services.

During the Reporting Period, the Company insisted on its business strategy of “reinforce marketing, improve risk control, seize development opportunities, and build high-level talent team”. Driven by external objective factors such as the significant improvement of the pandemic situation in Mainland China and the steady improvement of the macroeconomic situation, the Company’s marketing efforts have been effectively demonstrated, the risk control strategy has been strictly implemented, and the level of refined management has been significantly improved, showing a good recovery trend of business operations. During the Reporting Period, while consolidating the main position of inclusive finance business in revenue and profit, the Company actively deployed in the fields of art investment, special asset investment and equity investment. In order to form a high-caliber and flexibly functional talent team, the Company insist on introducing younger and professional external talents, tapping and enhancing the potential of internal talents. The Company attached great importance to promoting the construction of the headquarters building project, and strove to relocate the office location to the headquarters building within the year, and create sustainable and sound value contributions for the shareholders of the Company (the “Shareholders”).

1. BUSINESS REVIEW AND DEVELOPMENT

1.1 Inclusive Finance Business Division

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”) (the largest pawnshop in Mainland China in terms of paid-up registered capital (RMB1,000 million)), Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州市吳中區東山農村小額貸款有限公司) (“Dongshan Micro-finance”) (a company with paid-up registered capital of RMB300 million and partially owned by local government), 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”) (a company with paid-up registered capital of RMB75 million, and partially owned by a state-owned enterprise). Such division operates inclusive finance business by adhering to inclusive finance principle of small scale and decentralization and has attached great importance to risk prevention and control. Major products under this division include secured loans (including real estate backed loans and personal property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and other unsecured loans), which focus on solving problems

* For identification purpose only

of short-term liquidity needs of SMEs and personal short-term liquidity needs. The business of inclusive finance business division currently mainly covers Suzhou, Hong Kong, Chengdu, Wuhan and Hefei, and is striving to become a leading service provider of inclusive finance in the PRC.

(a) Wuzhong Pawnshop

As of 30 June 2021, the following table sets out the details of total transaction amount and number of loans granted during the indicated periods:

	For the six months ended 30 June	
	2021	2020
Total transaction amount of new secured loans (RMB' million)		
Total transaction amount of new real estate backed loans	396	149
Total transaction amount of new personal property backed loans	33	25
Total transaction number of new secured loans		
Total transaction number of new real estate backed loans	447	169
Total transaction number of new personal property backed loans	1,478	1,747
Total transaction amount of new unsecured loans (RMB' million)	328	401
Total transaction number of new unsecured loans	23	39

Wuzhong Pawnshop primarily engages in secured loan and unsecured loan businesses. Secured loans business mainly includes real estate backed loans and personal property backed loans.

Real estate backed loan business primarily provides personal residential mortgage loans against properties located at core urban areas and is featured with low risks and low turnover rates. Its business coverage mainly concentrates in Jiangsu Province, Chengdu, Wuhan and Hefei. As one of the core products of the inclusive finance business division, secured loan has quality customer resources and has maintained a sound and steady trend of development. As of 30 June 2021, the total transaction amount and number of new real estate backed loans granted by the Company were RMB396 million and 447, respectively, representing an increase as compared to the corresponding period of last year. The increase was because with the significant improvement of the pandemic situation and the tightening of the Chinese government's credit policy, the Company's business showed significant growth in customer acquisition.

For personal property backed pawn loan business, the Company has developed a variety of personal property pawn loan products, including gold, jewelry, works of art, diamonds, watches, luxury goods, and the business mainly covers urban areas of Suzhou. In 2021, the Company continued to promote the reform of the business of personal property backed pawn loan, which included the comprehensive promotion of store decoration and upgrading, the unification of store image, the expansion of product types, precision marketing and other fields. As of 30 June 2021, the Company granted new personal property backed pawn loans in the total transaction amount and number of RMB33 million and 1,478, respectively, which represented an increase in amount and a decrease in number as compared to the corresponding period of last year. This was due to the relatively high average amount per transaction of the Company's products such as watches and luxury goods.

Unsecured loans mainly include equity interest backed loans and other products, which are designed to enrich product categories, meet customers' differentiated credit demands, and offer comprehensive financial services to our customers. As of 30 June 2021, the Company granted new unsecured loans in the total transaction amount and number of RMB328 million and 23, respectively, representing a decrease as compared to the corresponding period of last year. This was due to the Company's marketing strategy to give priority to the credit needs of mortgage customers.

(b) Turnover loan business of Huifang Rongtong

Huifang Rongtong primarily engages in unsecured loan businesses. As of 30 June 2021, the following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan business during the indicated periods:

	For the six months ended	
	30 June	
	2021	2020
Total new loan amount granted (RMB' million)	1,151	1,243
Total number of new loans granted	220	182
Balance at the end of the Reporting Period (RMB' million)	60	103

Huifang Rongtong primarily offers bank bridge loan. Bank bridge loan primarily provides funds for bridge of bank loans to SMEs who has continuous banking facility, with the features of low risks and high turnover rates. Currently, Huifang Rongtong has reached strategic cooperation on such bank bridge loan with more than 30 banks. The Company had established a sub-loan fund with Suzhou Wuzhong Financial Holdings Group Limited* (蘇州市吳中金融控股有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province, and such government-enterprise cooperation

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fund is scarce in Suzhou and even Jiangsu Province. Such fund has served a large number of SMEs and local government platforms and accumulated over 1,000 individual and corporate customers.

As of 30 June 2021, the total amount and number of new loans granted by Huifang Rongtong were RMB1,151 million and 220, respectively, which represented a decrease in amount and an increase in number as compared to the corresponding period of last year. This was due to the small-amount and dispersed development trend of turnover loan business.

(c) Dongshan Micro-finance

For the six months ended 30 June 2021, the following table sets out the details of total new loans secured by real estate, guaranteed loans and other unsecured loans during the indicated periods:

	For the six months ended	
	30 June	
	2021	2020
Total new loan amount granted (RMB' million)	185	126
Total number of new loans granted	89	59
Balance at the end of the Reporting Period (RMB' million)	362	375

Dongshan Micro-finance is one of the few micro-finance companies rated “AA” in Jiangsu Province, and primarily engages in providing small loans for “rural areas, agriculture and rural people”* (三農) purposes and financial services such as finance guarantee. Since its establishment, Dongshan Micro-finance has been operating steadily, creating continuous profit contribution for the Shareholders.

As of 30 June 2021, the total amount and number of new loans granted by Dongshan Micro-finance were RMB185 million and 89, respectively, both increased as compared to the corresponding period of last year. The increase was because with the significant improvement of the pandemic situation and the tightening of the Chinese government’s credit policy, the Company’s business showed significant growth in customer acquisition.

1.2 Technology Finance Business Division

The technology finance business division is mainly dedicated to three major operations including commercial factoring, supply chain management and Hong Kong operation. Functioning as a new strategic business division of the Company, it focuses on supply chain finance scenarios and provides customers with quality financial services by utilizing financial technologies such as big data, artificial intelligence and blockchain under the guidance of prudent and rigorous risk control policies.

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(a) Commercial Factoring Business

Suzhou Huida Commercial Factoring Co., Ltd.* (蘇州匯達商業保理有限公司) (the “Huida Commercial Factoring”) was established on 30 May 2016 with a registered capital of RMB100 million and is principally engaged in accepting assignment of accounts receivable from core enterprise customers and installment of accounts receivable. The Company has changed the traditional operating model of factoring business through financial technologies and has effectively competed with traditional factoring companies through differential positioning and focusing on the funding demands under specific consumption and trading scenarios. The following table sets out the operating information of the factoring business during the indicated periods:

	For the six months ended	
	30 June	
	2021	2020
Total number of new transactions relating to accounts receivable assignment	5	8
Total amount of new transactions relating to accounts receivable assignment (RMB’ million)	27	86

As at 30 June 2021, the total amount and number of new transactions relating to accounts receivable assignment granted by Huida Commercial Factoring were RMB27 million and 5, respectively, representing a decrease as compared to the corresponding period of last year. This was because the contract period of the commercial factoring business was long and the capital increase payment was completed last year. The source of funds for the new business this year mainly relies on bank financing.

(b) Supply Chain Management

Suzhou Huifang Supply Chain Management Co., Ltd.* (蘇州市匯方供應鏈管理有限公司) (the “Huifang Supply Chain”) was committed to the development of supply chain agency procurement and agency sales business mainly for consumer electronics goods, milk, grain and oil, liquor and other consumer goods fields, and always focused on new supply chain scenarios to provide financial services for SMEs.

(c) Hong Kong Operation

The technology finance business division continued to operate a money lender’s license in Hong Kong and carried out business in cooperation with local licensed money lenders. As of 30 June 2021, the balance of outstanding loans was RMB22 million.

* For identification purpose only

1.3 Insurance Brokerage Business Division

By taking “Integrity, Responsibility, Professionalism and Compliance” as its corporate philosophy, 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), a branch under insurance brokerage business division, actively integrated its resources with local government and insurers to target insurance consortium, government and state-owned platforms, foreign-funded enterprises as the business expansion direction. Its brokerage business scope of insurances covers property insurance, credit and guarantee insurance, liability insurance, personal insurance and others.

2. FINANCIAL REVIEW

2.1 Overall Financial Data

	For the six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
Operating Results		
Operating income	134,754	138,174
Net operating income	68,816	29,324
Net assets	1,948,514	1,936,908
Administrative expenses	31,395	28,776
Income tax expenses	12,083	7,488
Profit attributable to equity holders	14,776	893
Basic earnings per share	0.014	0.001

2.2 Financial Analysis on Three Principal Business Divisions and Headquarters Management

2.2.1 Inclusive Finance Business Division

	For the six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
Operating income	116,054	117,178
Operating expenses and expected credit loss	69,751	90,553
Profit before tax	46,303	26,625

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For the first half of 2021, with the significant improvement of the pandemic situation and the tightening of the Chinese government's credit policy, the inclusive finance business division's customer acquisition returned to normal. As of 30 June 2021, the operating income amounted to RMB116,054 thousand and the profit before tax amounted to RMB46,303 thousand.

2.2.2 Technology Finance Business Division

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Operating income	8,856	4,460
Operating expenses and expected credit loss	7,224	5,076
Profit/(loss) before tax	1,632	(616)

For the first half of 2021, the technology finance business division insisted on exploring and innovating around the supply chain scenario, and the factoring business successfully implemented equity and debt financing, bringing new development opportunities. As of 30 June 2021, the operating income amounted to RMB8,856 thousand and the profit before tax amounted to RMB1,632 thousand.

2.2.3 Insurance Brokerage Business Division

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Operating income	819	3,207
Operating cost	1,320	3,855
Other non-operating losses	(822)	(850)
Loss before tax	(1,323)	(1,498)

For the first half of 2021, due to the cancellation of the compulsory insurance requirements of the Construction Workers' Accident Insurance Coinsurance, the insurance brokerage business shifted to self-operated business, resulting in a decrease in the operating income and costs. As of 30 June 2021, the operating income amounted to RMB819 thousand and the loss before tax amounted to RMB1,323 thousand.

2.2.4 Headquarters and Others

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
Operating income	9,364	12,361
Operating cost	7,952	13,424
Other non-operating losses	(12,877)	(11,642)
Loss before tax	(11,465)	(12,705)

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 fine management to increase income and reduce expenditure.

3. CREDIT RISK

3.1 Loan Classification and Impairment Allowances

The following table analyzes the credit exposure of financial instruments that are included in the expected credit loss assessment.

Unaudited	As at 30 June 2021				As at 31 December 2020
	ECL staging			Total	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans to customers					
Secured loans to customers (a)	550,467	15,040	874,996	1,440,503	1,266,496
Unsecured loans to customers (b)	838,406	15,771	250,481	1,104,658	1,151,385
Gross carrying amount	1,388,873	30,811	1,125,477	2,545,161	2,417,881
Loss allowances	(30,391)	(6,742)	(619,261)	(656,394)	(603,670)
Carrying amount	<u>1,358,482</u>	<u>24,069</u>	<u>506,216</u>	<u>1,888,767</u>	<u>1,814,211</u>

	As at 30 June 2021				As at 31 December 2020
Unaudited	ECL staging			Total RMB'000	Total RMB'000
	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000		
Term deposits with banks					
Credit grade					
AAA	<u>324,159</u>	<u>—</u>	<u>—</u>	<u>324,159</u>	<u>325,306</u>
Gross carrying amount	324,159	—	—	324,159	325,306
Loss allowances	<u>(164)</u>	<u>—</u>	<u>—</u>	<u>(164)</u>	<u>(164)</u>
Carrying amount	<u>323,995</u>	<u>—</u>	<u>—</u>	<u>323,995</u>	<u>325,142</u>
Other current assets (excluding repossessed assets)					
Gross carrying amount	10,949	—	2,445	13,394	7,076
Loss allowances	<u>—</u>	<u>—</u>	<u>(1,561)</u>	<u>(1,561)</u>	<u>(1,607)</u>
Carrying amount	<u>10,949</u>	<u>—</u>	<u>884</u>	<u>11,833</u>	<u>5,469</u>
Guarantee and commitment					
Financial guarantees exposure	<u>43,450</u>	<u>—</u>	<u>—</u>	<u>43,450</u>	<u>48,550</u>

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

The following table sets forth the breakdown of impairment allowance of the Group as of the indicated dates:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Secured loans to customers	417,547	363,747
Unsecured loans to customers	238,847	239,923
	<u>656,394</u>	<u>603,670</u>

In light of the changes in market environment, impairment allowances were accrued to adequately reflect the Group's market risk exposure. As at 30 June 2021, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB656,394 thousand, representing approximately 25.79% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB52,724 thousand as compared to the end of last year.

3.2 New Loans under Legal Proceedings

	For the six months ended 30 June 2021 RMB'000	For the six months ended 30 June 2020 RMB'000
New Secured Loans		
Number of clients	16	18
Outstanding loans (RMB' thousand)	13,080	38,494
New Unsecured Loans		
Number of clients	—	7
Outstanding loans (RMB' thousand)	<u>—</u>	<u>21,591</u>

For the six months ended 30 June 2021, the balance of new secured loans under legal proceedings and new unsecured loans under legal proceedings was RMB13,080 thousand and RMB0, respectively, representing a decrease of the balance of new loans under legal proceedings as compared to the corresponding period of last year.

4. BORROWINGS

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Non-current		
Bank borrowings (a)	<u>95,380</u>	<u>50,380</u>
Current		
Bank borrowings (b)	568,380	436,489
Borrowings from micro-finance companies (c)	3,000	23,500
Borrowings from other company (d)	<u>8,500</u>	<u>—</u>
	<u>579,880</u>	<u>459,989</u>
	<u>675,260</u>	<u>510,369</u>

- (a) As at 30 June 2021, non-current bank borrowing with principle amount of RMB95.4 million (31 December 2020: RMB50.4 million) is borrowed specifically for the construction of China Huirong Headquarters Building. The borrowing is repaid in a scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Wuzhong Group. As at 30 June 2021, the undrawn bank borrowing facilities are RMB0.1 million (31 December 2020: RMB49.6 million).
- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.40% to 6.59% per annum in the six months ended 30 June 2021 (2020: fixed rate from 3.60% to 5.95%).

As at 30 June 2021, no bank borrowings are secured by restricted term USD deposits (31 December 2020: bank borrowings with principal amount of RMB210.8 million are secured by restricted term deposits of US\$33.8 million) (Note 19).

As at 30 June 2021, bank borrowings with principal amount of RMB272.0 million (31 December 2020: RMB65.5 million) are secured by restricted term deposits of RMB287.0 million (31 December 2020: RMB68.6 million) (Note 19).

As at 30 June 2021, bank borrowings with principal amount of RMB135.5 million are secured by structured deposits of RMB140.4 million (31 December 2020: nil).

As at 30 June 2021, bank borrowings with principal amount of RMB120.0 million (31 December 2020: RMB120.2 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders.

As at 30 June 2021, bank borrowings with principal amount of RMB10.0 million are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. (31 December 2020: nil).

- (c) As at 30 June 2021, borrowings from microfinance companies with principal amount of RMB3.0 million are guaranteed by Wuzhong Group (31 December 2020: RMB23.5 million).
- (d) As at 30 June 2021, borrowings from Jiangsu Jinnong Co., Ltd. with principal amount of RMB8.5 million are guaranteed by Jiangsu Jinchuang Credit Re-guarantee Co., Ltd. (31 December 2020: nil).

As at 30 June 2021, the gearing ratios of the Group was 34.66%. The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible.

For the six months ended 30 June 2021, the Group didn't use any financial instruments for hedging purposes.

5. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of property, plant and equipment, intangible assets and construction in progress. Our capital expenditure was RMB18,230 thousand for the six months ended 30 June 2021, as compared to RMB2,336 thousand for the corresponding period of last year.

6. EXPOSURE TO FOREIGN EXCHANGE RISK

For the six months ended 30 June 2021, the net foreign currency losses of the Group were RMB2,751 thousand, representing a decrease as compared to the net foreign currency gains were RMB11,357 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 2021, land-use right of RMB34.2 million of the Group (31 December 2020: RMB34.6 million) is pledged with banks to secure borrowings.

As at 30 June 2021, structured deposits with principal amount of RMB140.4 million of the Group are pledged with banks to secure the Group's borrowings with principal amount of RMB135.5 million (31 December 2020: nil).

As at 30 June 2021, restricted term deposits of RMB287.0 million (31 December 2020: RMB68.6 million) are pledged with banks to secure the Group's bank borrowings with principal amount of RMB272.0 million of the Group (31 December 2020: RMB65.5 million).

Save as disclosed above, during the six months ended 30 June 2021, the Group did not have any pledge of assets.

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

8.1 Establishment of Nanjing Yiling Culture and Art Co., Ltd.* (南京藝瓏文化藝術有限公司) (the “Nanjing Yiling”)

On 8 May 2021, Nanjing Yiling was formally established in Nanjing with a registered capital of RMB55 million to develop artwork investment, artwork custody, artwork disposal and other businesses. The Company promised to invest RMB30.25 million, with a shareholding ratio of 55%, and has paid RMB20 million as at 30 June 2021 (Non-controlling shareholders have not yet paid their capital contributions). The Group’s investment strategy is to expand the art financial market and achieve diversified development.

8.2 Establishment of Suzhou Cibe Management Consulting Partnership (LP)* (蘇州次貝企業管理諮詢合夥企業(有限合夥)) (the “Suzhou Cibe”)

On 16 April 2021, Suzhou Cibe was formally established in Suzhou with a registered capital of RMB50 million to develop special asset investment, special asset disposal, special asset operation and other businesses. The Company promised to invest RMB45 million, with a shareholding ratio of 90%, and has paid RMB10.1 million as at 30 June 2021. The Group’s investment strategy is to use the experience and resources accumulated in Suzhou for many years to obtain excess returns from the disposal of special assets.

8.3 Establishment of Suzhou Huifang Rongcui Management Consulting Co., Ltd.* (蘇州匯方融萃企業管理諮詢有限公司) (the “Huifang Rongcui”)

On 29 June 2021, Huifang Rongcui was formally established in Suzhou with a registered capital of RMB100 million to develop direct equity investment, FOF investment and other businesses. The Company promised to invest RMB90 million, with a shareholding ratio of 90%, and has not paid as at 30 June 2021. Suzhou Rongcui Management Consulting Partnership (LP)* (蘇州融萃企業管理諮詢合夥企業(有限合夥)) (“Rongcui”) promised to invest RMB10 million, with a shareholding ratio of 10%. Rongcui is funded by 13 natural person shareholders, all of whom are members of the Company’s management and business team (including two executive directors who held 20% of the equity interest in Rongcui), and its purpose is to serve as a co-investor platform for the Company. The Group’s investment strategy is to seize the development opportunities of new energy, smart manufacturing, medical and health industries, and realize the coordinated development of debt business and equity business.

As at 30 June 2021, the fair value of each of the abovementioned investments represented less than 5% of the total assets of the Group. As at 30 June 2021, the Group did not hold any 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.

* For identification purpose only

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

9.1 Contingencies

As at 30 June 2021 the Group did not have any material contingencies (2020: nil).

9.2 Commitments

(a) Capital commitments

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
China Huirong Headquarter Building	44,534	87,162
Huifang Rongcui (i)	90,000	—
Suzhou Cibeii (ii)	34,870	—
Nanjing Yiling (iii)	<u>10,250</u>	<u>—</u>
	<u>179,654</u>	<u>87,162</u>

- (i) The committed capital injection to Huifang Rongcui is RMB90.0 million and has not been paid by the Group as at 30 June 2021 (31 December 2020: Nil).
- (ii) The committed capital injection to Suzhou Cibeii is RMB45.0 million, of which RMB34.9 million has not been paid by the Group as at 30 June 2021 (31 December 2020: Nil).
- (iii) The committed capital injection to Nanjing Yiling is RMB30.3 million, of which RMB10.3 million has not been paid by the Group as at 30 June 2021 (31 December 2020: Nil).

9.3 Cash Usage Analysis

As at 30 June 2021, the Group's cash and cash equivalents amounted to RMB90,883 thousand, representing an increase of RMB9,785 thousand as compared to the corresponding period of last year. The following table sets forth a summary of our cash flows for the indicated periods:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Net cash (outflow)/inflow from operating activities	(107,104)	425,679
Net cash outflow from investing activities	(28,360)	(2,336)
Net cash inflow/(outflow) from financing activities	<u>122,664</u>	<u>(523,010)</u>
Net decrease in cash and cash equivalents	(12,800)	(99,667)
Exchange loss on cash and cash equivalents	<u>(236)</u>	<u>(273)</u>

Net Cash Flow from Operating Activities

During the Reporting Period, net cash outflow from operating activities amounted to RMB107,104 thousand, mainly due to the increase in the loans granted to customers.

Net Cash Flow from Investing Activities

During the Reporting Period, net cash outflow from investing activities amounted to RMB28,360 thousand, mainly due to the increase in the investment in China Huirong Headquarter Building and special asset investment business.

Net Cash Flow from Financing Activities

During the Reporting Period, net cash inflow from financing activities amounted to RMB122,664 thousand, mainly due to the increase in the financing of Huida Commercial Factoring, Huifang Supply Chain and Huifang Tongda.

10. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 30 June 2021, the Group had a total of 138 full-time employees, decreasing from 140 as at 31 December 2020. The main reason was that the Company continued to carry out human resource optimization work 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 2021, employee remuneration and benefits increased by RMB835 thousand to RMB17,753 thousand from the corresponding period last year.

The Group reviews 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.

11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Save as the capital commitments disclosed in Note 7.2 to 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 REPORTING PERIOD

On 2 July 2021, Huifang Tongda, Suzhou Wuzhong Gaoxin Entrepreneurship Service Co., Ltd.* (蘇州吳中高新創業服務有限公司) ("Wuzhong Gaoxin"), Suzhou Dongfang Venture Investment Co., Ltd.* (蘇州東方創業投資有限公司) ("Dongfang Investment") 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) ("Wuzhong Investment"), entered into the Agreement and agreed to further increase the registered capital of Huida Factoring. In particular, Huifang Tongda, Wuzhong Gaoxin and Dongfang Investment agreed to contribute RMB30 million, RMB10 million and RMB10 million, respectively, in proportion to their respective shareholding in Huida Factoring. Wuzhong Investment agreed to contribute RMB20 million as an incoming shareholder of Huida Factoring. Upon completion of the Capital Increase, the total amount of capital contribution made by the Company to Huida Factoring through Huifang Tongda would become RMB90 million, whereas the shareholding in it would decrease from 60.00% to 52.94%.

On 26 July 2021, the Group invested RMB9.0 million in Huifang Rongcui to develop equity investment business.

Save as disclosed above, there is no significant event after 30 June 2021.

* For identification purpose only

PROSPECTS

Inclusive Finance Business Division: First, the Company will continue to develop small-amount, dispersed and short-term inclusive finance to continuously improve market competitiveness; second, the Company will promote the national expansion of the pawnshop, and create a chain-like operation pattern with real estate backed loans as the core business; third, the Company will attach importance to the smooth operation of turnover loan business and fulfill the social responsibility of serving SMEs; fourth, the Company will continue to upgrade the image of pawnshops, emphasize brand promotion, and enrich product categories to expand the customer base.

Technology Finance Business Division: First, the Company will adhere to create a development pattern with supply chain as the scenario, commercial factoring as the core business, and supply chain management and Hong Kong operation as the link; second, the Company will make full use of the advantages of the state-owned and collectively-owned equity participation to obtain bank financing and improve profitability; third, the supply chain management business will seize the trend of consumption upgrades, and provide supply chain agency procurement and agency sales service for well-known brands; fourth, the Company will continue to pay attention to the epidemic situation in Hong Kong and secure good service to existing customers.

Insurance Brokerage Business Division: First, the Company will use the resources of the government and industry to explore a new cooperative mode of coinsurance; second, the Company will expand the proportion of self-operated business in the customer-oriented manner, and actively participate in market bidding; third, the Company will strengthen cooperation with external insurance brokerage agencies and insurance appraisal agencies to form a coordinated development pattern.

Headquarters and others: First, the Company will implement the concept of refined management and continue to implement human resource optimization plans to reduce administrative expenses; second, the Company will focus on the construction of China Huirong headquarters building, which is planned to be used within the year; third, the Company will focus on developing new business such as art investment, special assets investment and equity investment to optimize the Company's business structure and seize opportunities in the field of alternative assets and equity.

DIVIDEND

The Board did not recommend an interim dividend for the six months ended 30 June 2021.

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 2021.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 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 set out in the CG Code during the six months ended 30 June 2021, except for Code Provision A.2.1 which requires that the role of chairman and chief executive officer should be separated and should not be performed by the same person. Given that Mr. WU Min assumes the roles of both chairman and chief executive officer, the Company deviates from this code provision. The Board considers that this management structure is effective in terms of the formulation and implementation of the Company's strategies and the Company's operations. Notwithstanding the deviation, the Board is of the view that it is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its shareholders. The Board will review the management structure from time to time and the need to separate the roles of the chairman of the Board and the chief executive officer to two individuals.

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 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all directors of the Company, and the Directors have confirmed that they had complied with the Model Code during the six months ended 30 June 2021.

CHANGE IN DIRECTORS' INFORMATION

From 1 January 2021 to the date of this announcement, the changes in the directors' information of the Company are as follows:

Mr. ZHANG Huaqiao has resigned as an independent non-executive director of the Company, the chairman of the Company's remuneration committee (the "Remuneration Committee") and a member of the Company's nomination committee (the "Nomination Committee") with effect from 28 May 2021.

Mr. Liang Jianhong has been appointed as an independent non-executive director of the Company, the chairman of the Remuneration Committee and a member of the Nomination Committee with effect from 28 May 2021.

Mr. Feng Ke, an independent non-executive director of the Company, has been a full professor of the Peking University School of Economics (北京大學經濟學院) since 11 June 2021; an independent non-executive director of Aotecar New Energy Technology Co., Ltd. (the shares of which are listed on the

Shenzhen Stock Exchange (Stock Code: 002239)), since 20 July 2021; and an independent non-executive director of Liaoning Cheng Da Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600739)), since 18 August 2021.

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 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 2021. In addition, the independent auditor of the Company has reviewed the unaudited interim financial information for the six months ended 30 June 2021 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 2021 is published on the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cnhuirong.com) respectively. The 2021 interim report will be dispatched to the shareholders of the Company and 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, 27 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. Wu Min and Mr. Zhang Changsong, the non-executive directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng, Mr. Ling Xiaoming and Ms. Zhang Shu and the independent non-executive directors of the Company are Mr. Liang Jianhong, Mr. Feng Ke and Mr. Tse Yat Hong.