



佐力科創小額貸款股份有限公司

Zuoli Kechuang Micro-finance Company Limited

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

Stock code: 6866

INTERIM
REPORT
2022



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DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Acting in Concert Agreement”	an agreement entered into by Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy dated 28 April 2014
“AFR (三農)”	customers engaged in agricultural business and/or rural development activities, and/or customers residing in rural areas
“Bangni Fiber”	浙江邦尼耐火纖維有限公司 (Zhejiang Bangni Refractory Fiber Co., Ltd.)
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Company”, “we”, “us” or “our”	佐力科創小額貸款股份有限公司 (Zuoli Kechuang Micro-finance Company Limited*), a joint stock company incorporated in the PRC with limited liability on 18 August 2011 and converted from our Predecessor Company on 28 April 2014, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 6866)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deqing Yintian”	德清銀天股權投資管理有限公司 (Deqing Yintian Equity Investment and Management Company Limited*)
“Dingsheng Investment”	德清鼎盛股權投資管理有限公司 (Deqing Dingsheng Equity Investment and Management Company Limited*)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC nationals and/or PRC-established entities
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Hong Kong Stock Exchange
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jinhui Micro-finance”	德清金匯小額貸款有限公司 (Deqing Jinhui Micro-finance Company Limited*), a non-wholly owned subsidiary of the Company

“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, otherwise references in this interim report to “China” and the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Predecessor Company” or “our Predecessor Company”	德清佐力科創小額貸款有限公司 (Deqing Zuoli Kechuang Micro-finance Company Limited*), a limited liability company established in the PRC on 18 August 2011 and the predecessor of the Company
“Puhua Energy”	德清普華能源股份有限公司 (Deqing Puhua Energy Company Limited*)
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	shareholder(s) of the Company
“SME(s)”	small and medium-sized enterprise(s), as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知)
“Supervisor(s)”	the supervisor(s) of the Company
“VAT”	value-added tax
“Xingyao Micro-finance”	杭州市高新區(濱江)興耀普匯小額貸款有限公司 (Hangzhou High-tech District (Binjiang) Xingyao Pu Hui Micro-finance Co. Ltd.*), a non-wholly owned subsidiary of the Company
“Zheli Financial Service”	浙江浙里金融信息服務有限公司 (Zhejiang Zheli Financial Information Service Co., Ltd.*)
“Zuoli Holdings”	佐力控股集團有限公司 (Zuoli Holdings Group Company Limited*)

* For identification purpose only

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yu Yin (*Chairman*)
Mr. Zheng Xuegen (*Vice-Chairman*)
Mr. Yang Sheng (*Vice-Chairman*)
Ms. Hu Fangfang

Non-executive Director

Mr. Pan Zhongmin (formerly known as Pan Zhongming)

Independent non-executive Directors

Mr. Chan Kin Man
Mr. Zhao Xuqiang
Ms. Yang Jie

SUPERVISORS

Mr. Wang Peijun
Ms. Zhou Mingwan (*Chairman*)
Mr. Chen Qi

AUDIT COMMITTEE

Mr. Chan Kin Man (*Chairman*)
Mr. Zhao Xuqiang
Ms. Yang Jie

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Zhao Xuqiang (*Chairman*)
Mr. Yu Yin
Mr. Chan Kin Man

NOMINATION COMMITTEE

Ms. Yang Jie (*Chairman*)
Mr. Yu Yin
Mr. Zhao Xuqiang

LOAN APPROVAL COMMITTEE

Mr. Yang Sheng (*Chairman*)
Mr. Zheng Xuegen
Ms. Hu Fangfang

COMPANY SECRETARY

Ms. Ho Wing Yan (*ACIS, ACS(PE)*)

AUTHORISED REPRESENTATIVES

Mr. Yu Yin
Ms. Ho Wing Yan (*ACG, ACS(PE)*)

REGISTERED OFFICE

No. 399 Deqing Avenue
Wukang Road
Deqing County
Huzhou City
Zhejiang Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 399 Deqing Avenue
Wukang Road
Deqing County
Huzhou City
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2703, 27th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.zlkxcd.cn

STOCK CODE

6866

AUDITOR

KPMG

Certified Public Accountants

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

LEGAL ADVISERS

ONC Lawyers (*as to Hong Kong laws*)

Dacheng Law Offices (Dacheng Shanghai) (*as to PRC laws*)

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL BANKER

Shanghai Pudong Development Bank Co., Ltd.

(Huzhou Deqing Sub-branch)

Nos. 720 to 728 Wuyuan Street

Wukang Road, Deqing County

Huzhou City, Zhejiang Province

PRC



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

We carried out our microfinance business in the PRC, and our business is mainly conducted in Deqing County, Huzhou City and Binjiang District, Hangzhou City, the Zhejiang Province, where the main market share comes from Deqing County. Zhejiang province is the important birthplace of President Xi Jinping's thought on ecological civilisation, and according to the Opinion on Supporting the High Quality Development and the Construction of a Common Prosperity Demonstration Zone in Zhejiang (《關於支持浙江高質量發展建設共同富裕示範區的意見》) issued by the State Council in May 2021, Zhejiang Province was endowed an important demonstration reform task of realizing common prosperity and a series of important decisions and deployment were proposed, which will be more favorable for the overall coordinated development of Zhejiang Province in terms of economy, society, culture, ecology, etc.. Besides, Huzhou is the birthplace of the important thought that "lucid waters and lush mountains are invaluable assets" and the experimental area of the national green finance reform and innovation, and is one of the best cities in Zhejiang Province and even the country in respect of financial ecological environment, which bring us a unique advantage to explore green development. We seized the opportunity and became the first and the only green micro-finance pilot unit in Huzhou City. Recently, the State Council granted approval to Huzhou City to construct a national sustainable development innovation zone under the theme of sustainable development in ecological resource-intensive areas driven by green innovation. Deqing has experienced robust economic development and growth in recent years, and is placed among the national top one hundred counties in terms of comprehensive strength in economic, social condition, environmental and government management aspects (綜合實力百強縣). Deqing has been designated as a "technological outstanding county (科技強縣)", a "financial innovation demonstration county (金融創新示範縣)" as well as the "financial back-office base in Yangtze River Delta (長三角金融後台基地)" by Zhejiang provincial government of the PRC. A number of new high-technology, bio-pharmaceutical and innovative enterprises have either selected Deqing as their headquarters or conducted business in Deqing, which has promoted the development of the local financial services industry.

Competition within the microfinance industry in Zhejiang remains intense. As of 30 June 2022, the number of microfinance companies in Zhejiang reached 292 in total. The average registered capital per microfinance company amounted to RMB0.17 billion. The average loan balance per microfinance company amounted to RMB0.18 billion.

As of 30 June 2022, apart from the Group, there were three other microfinance companies in Deqing. The accumulated aggregate amount of loans granted by the Group and the three microfinance companies for the six months ended 30 June 2022 reached RMB1.92 billion, out of which the accumulated aggregate amount of loans granted by the Group accounted for approximately 76.8%. As of 30 June 2022, the balance of loans (excluding accrued interest) of the Group and these three microfinance companies reached RMB3.18 billion, out of which the balance of loans (excluding accrued interest) of the Group accounted for approximately 86.9%.

BUSINESS OVERVIEW

As at 30 June 2022, we were the largest licensed microfinance company in Zhejiang in terms of registered capital, according to the Zhejiang Provincial Financial Regulatory Bureau* (浙江省地方金融監督管理局). We have been providing financing solutions and loan services to customers with flexible terms through quick and comprehensive loan assessment and approval processes.

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

Our gross loan balance (excluding accrued interest) increased from RMB2,655.7 million as at 31 December 2021 to RMB2,762.5 million as at 30 June 2022.

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

	As at 30 June 2022	As at 31 December 2021
Registered capital (RMB'000)	1,180,000	1,180,000
Gross loans and advances to customers (excluding accrued interest, RMB'000)	2,762,496	2,655,690
Leverage ratio ⁽¹⁾	2.34	2.25

Note:

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

For the six months ended 30 June 2021 and 30 June 2022, our average interest rates for loans were 10.2% and 9.0%, respectively. Our average loan interest rate decreased during the aforesaid period, mainly due to the fact that, affected by the COVID-19 pandemic, the national banks increased their support to small and micro enterprises in respond to the policy requirements, and at the same time, the average interest rate for loans granted by our peers decreased. Therefore, in order to ensure assets quality and market share, maintain industry competitiveness, we lowered our average interest rates for loans.

As at 31 December 2021 and 30 June 2022, approximately 73.7% and 74.2% of loan contracts were with maximum amount limited to RMB1 million, respectively. Among our loan contracts, the higher proportion of loans with amount up to RMB1 million was mainly due to the fact that we mainly target to serve SMEs and micro enterprises, individuals in the agricultural, industrial and service sectors in Huzhou City and Hangzhou City and online retailers engaging in the business of lifestyle products, agricultural products, cultural supplies and industrial products, etc., the loan amounts granted to whom are generally lower.

Loans and Advances to Customers by Security

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

	As at 30 June 2022		As at 31 December 2021	
	RMB'000	%	RMB'000	%
Unsecured loans ⁽¹⁾	29,773	1.1	29,527	1.1
Guaranteed loans	2,697,327	97.6	2,596,837	97.8
Collateralized loans	14,739	0.5	12,262	0.5
Pledged loans	20,657	0.8	17,064	0.6
Sub-total	2,762,496	100.0	2,655,690	100.0
Accrued interest	24,411		31,473	
Gross loans and advances to customers	2,786,907		2,687,163	

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 30 June 2022			
	12-month ECLs RMB'000	Lifetime ECLs non credit-impaired RMB'000	Lifetime ECLs credit-impaired RMB'000	Total RMB'000
Gross loans and advances to customers	2,596,075	61,642	129,190	2,786,907
Less: Allowances for impairment losses	(71,969)	(11,786)	(122,203)	(205,958)
Net loans and advances to customers	2,524,106	49,856	6,987	2,580,949

	As at 31 December 2021			
	12-month ECLs RMB'000	Lifetime ECLs non credit-impaired RMB'000	Lifetime ECLs credit-impaired RMB'000	Total RMB'000
Gross loans and advances to customers	2,498,812	64,764	123,587	2,687,163
Less: Allowances for impairment losses	(65,720)	(13,939)	(118,025)	(197,684)
Net loans and advances to customers	2,433,092	50,825	5,562	2,489,479

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

	As at 30 June 2022	As at 31 December 2021
Impaired loan ratio⁽¹⁾	4.6%	4.6%
Balance of impaired loans (RMB'000)	129,190	123,587
Gross loans and advances to customers (RMB'000)	2,786,907	2,687,163
Allowance coverage ratio⁽²⁾	159%	160%
Allowances for impairment losses ⁽³⁾ (RMB'000)	205,958	197,684
Balance of impaired loans (RMB'000)	129,190	123,587
Provision for impairment losses ratio⁽⁴⁾	7.4%	7.4%
Balance of overdue loans (RMB'000)	129,360	122,990
Gross loans and advances to customers (RMB'000)	2,786,907	2,687,163
Overdue loan ratio⁽⁵⁾	4.6%	4.6%

Notes:

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

- (2) Represents the allowances for impairment losses on all loans divided by the balance of impaired loans. Allowance coverage ratio indicates the level of provisions we set aside to cover probable loss in our loan portfolio.
- (3) Allowances for impairment losses reflect our management's estimate of the probable losses in our loan portfolio.
- (4) Represents the allowances for impairment losses divided by the gross loans and advances to customers. Provision for impairment losses ratio measures the cumulative level of provisions.
- (5) Represents the balance of overdue loans divided by the gross loans and advances to customers.

Total impaired loans

As at 31 December 2021 and 30 June 2022, our balance of impaired loans amounted to RMB123.6 million and RMB129.2 million, respectively.

Total overdue loans

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Unsecured loans	13,599	13,386
Guaranteed loans	108,472	104,587
Collateralized loans	7,289	5,017
Total overdue loans	129,360	122,990

We had overdue loans of RMB123.0 million and RMB129.4 million as at 31 December 2021 and 30 June 2022, respectively, both accounting for 4.6% of our gross loan balance as at the same dates. As at 19 August 2022, RMB3.8 million out of the overdue loans as of 30 June 2022 was recovered.

Save for disclosed in this report, there has been no material change in the development of the Group's business and financial position and no important events affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 December 2021.

FINANCIAL OVERVIEW

Net interest income

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest income from		
Loans and advances to customers	121,370	137,260
Cash at banks	42	215
Total interest income	121,412	137,475
Interest and commission expenses from		
Borrowings from banks	(2,843)	(3,149)
Borrowings from non-bank institutions	(20,435)	(21,649)
Lease liabilities	(142)	(225)
Bank charges	(48)	(54)
Total interest and commission expenses	(23,468)	(25,077)
Net interest income	97,944	112,398

Our interest income from loans and advances to customers is primarily affected by the size of our loan portfolio and the average interest rate that we charge on loans and advances to our customers. During the six months ended 30 June 2022, our loan balance increased, which was generally in line with the size of our capital base, which is in turn affected by the size of our net assets and scale of financing. As at 30 June 2021 and 30 June 2022, our loan balance (excluding accrued interest) were RMB2,666.6 million and RMB2,762.5 million, respectively, and for the six months ended 30 June 2021 and 30 June 2022, our average interest rates for loans were 10.2% and 9.0%, respectively. Our average loan interest rate decreased during the aforesaid period, mainly due to the fact that, affected by the COVID-19 pandemic, national banks increased their support to SMEs in response to policy requirements. Meanwhile, the average interest rate on loans granted by our peers declined. As a result, in order to secure our asset quality and market share, as well as to maintain competitiveness in the industry, we reduced our average loan interest rate.

Our interest and commission expenses, comprising interests on borrowings from banks and non-bank institutions, lease liabilities as well as bank charges, were RMB25.1 million and RMB23.5 million for the six months ended 30 June 2021 and 30 June 2022, respectively. Our incurred interest expenses were primarily attributable to the interest payment on bank borrowings and non-bank institutions borrowings, including borrowings from third parties and borrowings from Euro zone, which were principally applied to expand our loan business.

Our balance of bank borrowings (excluding accrued interest) as at 30 June 2021 and 30 June 2022 amounted to RMB140.0 million and RMB130.0 million, respectively. Our balance of borrowings from non-bank institutions (excluding accrued interest) amounted to RMB532.5 million and RMB576.5 million as at 30 June 2021 and 30 June 2022, respectively.

Our net interest income for the six months ended 30 June 2021 and 30 June 2022 were RMB112.4 million and RMB97.9 million, respectively.

Other net income

Our other net income for the six months ended 30 June 2021 and 30 June 2022 were RMB20.3 million and RMB15.4 million, respectively. Our other net income during the aforesaid period decreased, mainly due to the decrease in government subsidy received of RMB4.9 million.

Impairment losses

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

For the six months ended 30 June 2021 and 30 June 2022, our impairment losses were RMB12.9 million and RMB8.0 million, respectively.

Administrative expenses

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

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
Tax and surcharge	1,021	744
Staff costs	9,487	9,814
Office expenditures and travel expenses	1,963	2,012
Operating lease charges	4	51
Depreciation and amortization expenses	4,138	4,174
Consulting and professional service fees	3,764	4,592
Business development expenses	3,970	4,780
Advertising expenses	1,799	2,008
Others	793	773
Total administrative expenses	26,939	28,948

Our staff costs accounted for approximately 33.9% and 35.2% of the total administrative expenses for the six months ended 30 June 2021 and 30 June 2022, respectively. Our administrative expenses decreased from RMB28.9 million for the six months ended 30 June 2021 to RMB26.9 million for the six months ended 30 June 2022, which was mainly due to decrease of RMB0.8 million for each of consulting and professional service fees and business development expenses as compared with the corresponding period last year.

Income tax

Our income taxes for the six months ended 30 June 2021 and 30 June 2022 were RMB23.9 million and RMB20.6 million, respectively, and our effective tax rates were 26.2% and 26.3%, respectively.

Profit and total comprehensive income for the period

We had profit and total comprehensive income for the period of RMB67.0 million and RMB57.8 million for the six months ended 30 June 2021 and 30 June 2022, respectively.

Liquidity and capital resources

Our working capital and other capital requirements are mainly financed by equity investments from the Shareholders, interest-bearing borrowings, and cash flows from operations. Our working capital and capital requirements are primarily related to extending loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity level that can meet our working capital needs while supporting a healthy level of business scale and expansion. Other than the bank borrowings obtained from commercial banks, we may also consider conducting financing on the platform of 浙江股權交易中心 (Zhejiang Equity Exchange Centre*) and financing, transfer and repurchase of financing of certain loans on the platform of 浙江金融資產交易中心 (Zhejiang Financial Assets Exchange Centre*), offshore financing or other investments plans or choices. Nevertheless, as at the date of this report, we did not have any firm intention or formulate any specific plan on material external debt financing in the short term.

As at 30 June 2022, our balance of interest-bearing borrowings was approximately RMB712.7 million (31 December 2021: RMB645.0 million).

WORKING CAPITAL MANAGEMENT

Cash flows

Net cash used in operating activities

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

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

Our net cash used in operating activities for the six months ended 30 June 2022 was RMB8.5 million. Our net cash used in operating activities reflect: (i) our profit before tax of RMB78.4 million, adjusted for non-cash and non-operating items, primarily including impairment losses of RMB8.0 million, depreciation and amortization of RMB4.1 million, interest expenses of RMB23.4 million, exchange gains of RMB5.2 million; (ii) the effect of changes in working capital, primarily including an increase in gross loans and advances to customers of RMB98.1 million, an increase in interest receivables and other assets of RMB2.3 million, and a decrease in accruals and other payables of RMB10.2 million; and (iii) income tax paid of RMB6.6 million.

Net cash used in investing activities

For the six months ended 30 June 2022, our net cash used in investing activities was RMB27 thousand, mainly consisted of payment for the purchase of fixed assets of RMB27 thousand.

Net cash generated from financing activities

For the six months ended 30 June 2022, our net cash used in financing activities was RMB47.6 million. Our net cash generated from financing activities mainly consisted of financing from interest-bearing borrowings received of RMB351.7 million, partially offset by (i) the repayment of interest-bearing borrowings amounted to RMB284.0 million; (ii) the payment of interest on borrowings amounted to RMB15.7 million; (iii) the payment of lease charge amounted to RMB1.8 million; and (iv) the payment to non-controlling shareholders for equity transfer of RMB2.6 million.

Cash management

As our business primarily relies on our available cash, we normally set aside a sufficient amount of cash for meeting general working capital needs, such as administrative expenses and payment of interests on borrowings from banks and other non-bank institutions, and use the remainder for granting loans to our customers. As at 31 December 2021 and 30 June 2022, total cash and cash equivalents amounted to RMB42.7 million and RMB81.2 million, respectively.

Cash and cash equivalents

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash in hand	2	3
Cash at banks	81,114	42,673
Other currencies in cash	104	2
Cash and cash equivalents	81,220	42,678

Loans and advances to customers

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Corporate loans	1,078,981	1,016,232
Retail loans	1,654,758	1,611,615
Micro-loans granted online	28,757	27,843
Sub-total	2,762,496	2,655,690
Accrued interest	24,411	31,473
Gross loans and advances to customers	2,786,907	2,687,163
Less: Allowances for impairment losses	(205,958)	(197,684)
Net loans and advances to customers	2,580,949	2,489,479

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

As at 31 December 2021 and 30 June 2022, our overdue loan amounted to RMB123.0 million and RMB129.4 million, respectively, both accounting for approximately 4.6% of our gross loans and advances to customers as at the same dates.

The following table sets out our loan portfolio by security as at the dates indicated:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Unsecured loans ⁽¹⁾	29,773	29,527
Guaranteed loans	2,697,327	2,596,837
Collateralized loans	14,739	12,262
Pledged loans	20,657	17,064
Sub-total	2,762,496	2,655,690
Accrued interest	24,411	31,473
Gross loans and advances to customers	2,786,907	2,687,163

Note:

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

The majority of our loans were guaranteed loans, which accounted for 97.8% and 97.6% of our gross loans and advances to customers (excluding accrued interest) as at 31 December 2021 and 30 June 2022, respectively.

Other Assets

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Prepayment	1,375	822
Others	488	366
Total other assets	1,863	1,188

Accruals and other payables

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Accrued staff costs	3,074	5,529
Value-added tax payable	378	6,479
Tax and surcharges and other taxation payable	1,516	1,984
Other payables	12,043	14,228
Total accruals and other payables	17,011	28,220

During the aforementioned period, our accrued expenses and other payables decreased by RMB11.2 million, mainly due to the decrease of value-added tax payables.

Current taxation

Our current taxation refers to our income tax payable, amounted to RMB44.4 million and RMB55.6 million, respectively as at 31 December 2021 and 30 June 2022, respectively.

Capital commitments

As of 30 June 2022, there was no capital commitment of the Group (31 December 2021: Nil).

Key Financial Indicators

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

	For the six months ended 30 June 2022	For the year ended 31 December 2021
Return on weighted average equity (%)	5.9 ⁽²⁾	6.5
Average return on assets (%) ⁽¹⁾	4.3 ⁽²⁾	4.9

Notes:

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

(2) Derived by dividing the actual number by 6 and multiplying by 12 on the annualised basis.

Gearing Ratio

	As of 30 June 2022	As of 31 December 2021
Gearing Ratio (%) ⁽¹⁾	33.9	32.3

Note:

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

Our gearing ratio increased, mainly due to the increase in the interest-bearing borrowings as of 30 June 2022 as compared with that of 31 December 2021, and the size of interest-bearing borrowings was in line with the size of loans of the Company.

RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2022, Mr. Yu Yin, an executive Director and the chairman of the Board, and other related parties had guaranteed some of our interest-bearing borrowings. As at 30 June 2022, the amount of guarantee provided by Mr. Yu Yin and other related parties amounted to RMB329.0 million. Such related party transactions constituted the continuing connected transactions under Chapter 14A the Listing Rules. As the guarantees were provided on normal commercial terms where no security over the assets of the Group was granted to Mr. Yu Yin and other related parties, the said provision of guarantees was fully exempted from Shareholders' approval, annual review and all disclosure requirements.

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

For the six months ended 30 June 2022, the Company and Jinhui Micro-finance (a non-wholly owned subsidiary of the Company) leased properties from Zuoli Holdings with a depreciation on right-of-use assets and interest expense of RMB1.5 million. The entering into of the lease agreements allows the Company and Jinhui Micro-finance to maintain their operational needs. The utilities and management fees of RMB0.8 million were paid to Zuoli Holdings and its subsidiary. Puhua Energy is a controlling shareholder and thus a connected person of the Company under the Listing Rules. Zuoli Holdings, being the holding company of Puhua Energy, is an associate of Puhua Energy and thus also a connected person of the Company under the Listing Rules. Such related party transactions constituted connected transactions under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) calculated with reference to the annual caps under the lease exceed 0.1% but are less than 5%, the transaction contemplated under the lease is subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had duly announced the said transaction on 7 July 2020 and 10 July 2020.

Save as disclosed above, for the six months ended 30 June 2022, there was no other connected transaction of the Company that required for the reporting, annual reviews, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

INDEBTEDNESS

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Interest-bearing borrowings	712,688	644,973

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

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2022, we did not have any off-balance sheet arrangements (31 December 2021: nil).

EMPLOYMENT AND EMOLUMENTS

As at 30 June 2022, the Group had approximately 102 employees (31 December 2021: 118). Employees' remuneration has been paid in accordance with relevant policies in the PRC. Appropriate salaries and bonuses were paid, which are commensurate with the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance, etc.

SIGNIFICANT INVESTMENT

Save and except for the wealth management products issued by banks in the PRC, the Group had no significant investments held during the six months ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no acquisition or disposal of subsidiaries, associates or joint ventures for the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than the bank loans we obtain from commercial banks, we may also consider conducting financing on the platform of 浙江股權交易中心 (Zhejiang Equity Exchange Centre*) and financing, transfer and repurchase financing of certain loans on the platform of 浙江金融資產交易中心 (Zhejiang Financial Assets Exchange Centre*), offshore financing or other investments plans or choices. Nevertheless, as at the date of this report, we did not have any firm intention or formulate any specific plan on material external debt financing in the short term.

FOREIGN CURRENCY RISK

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

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

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: nil).

PROSPECTS

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

In terms of our major market of offline business, Zhejiang province is the important birthplace of President Xi Jinping's thought on ecological civilization, and according to the Opinion on Supporting the High Quality Development and the Construction of a Common Prosperity Demonstration Zone in Zhejiang (《關於支持浙江高質量發展建設共同富裕示範區的意見》) issued by the State Council in May 2021, Zhejiang Province was endowed an important demonstration reform task of realizing common prosperity and a series of important decisions and deployment were proposed, which will be more favorable for the overall coordinated development of Zhejiang Province in terms of economy, society, culture, ecology, etc.

Meanwhile, Huzhou is the birthplace of the important thought that "lucid waters and lush mountains are invaluable assets" and the experimental area of the national green finance reform and innovation as well as the national sustainable development innovation zone, and is one of the best cities in Zhejiang Province and even the country in respect of financial ecological environment, in particular, the 2022 China Green Low-Carbon Innovation Conference was held in Huzhou, which bring us a better opportunity to explore green development.

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

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

INDEPENDENT AUDITOR'S REPORT



Review report to the board of directors of Zuoli Kechuang Micro-finance Company Limited
(a joint stock Company incorporated in the People's Republic of China (the "PRC") with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 51 which comprises the consolidated statement of financial position of Zuoli Kechuang Micro-finance Company Limited (the "Company") and its subsidiaries (together "the Group") as of 30 June 2022 and the related consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 — unaudited
(Expressed in RMB'000, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Interest income		121,412	137,475
Interest and commission expenses		(23,468)	(25,077)
Net interest income	3	97,944	112,398
Other net income	4	15,432	20,342
Charge of impairment losses	5	(8,044)	(12,893)
Administrative expenses		(26,939)	(28,948)
Profit before taxation	6	78,393	90,899
Income tax	7	(20,589)	(23,860)
Profit and total comprehensive income for the period		57,804	67,039
Attributable to:			
Equity shareholders of the Company		55,473	58,875
Non-controlling interests		2,331	8,164
Profit for the period		57,804	67,039
Earnings per share			
Basic and diluted (RMB)	8	0.05	0.05

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited

(Expressed in RMB'000, unless otherwise stated)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Assets			
Cash and cash equivalents	9	81,220	42,678
Interest receivables		443	177
Loans and advances to customers	10	2,580,949	2,489,479
Financial assets measured at fair value through profit or loss	11	10	10
Intangible assets	12	236	519
Goodwill		19,899	19,899
Fixed assets	14	41,252	45,080
Deferred tax assets	15	49,367	52,182
Other assets		1,863	1,188
Total assets		2,775,239	2,651,212
Liabilities			
Interest-bearing borrowings	16	712,688	644,973
Accruals and other payables	17	17,011	28,220
Dividends payable	18	59,000	—
Lease liabilities		3,503	4,995
Current taxation		55,607	44,398
Total liabilities		847,809	722,586
NET ASSETS		1,927,430	1,928,626
CAPITAL AND RESERVES			
Share capital	19	1,180,000	1,180,000
Reserves		680,621	684,148
Total equity attributable to equity shareholders of the Company		1,860,621	1,864,148
Non-controlling interests		66,809	64,478
TOTAL EQUITY		1,927,430	1,928,626

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 — unaudited
(Expressed in RMB'000, unless otherwise stated)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
	Note 19(b)	Note 19(c)(i)	Note 19(c)(ii)	Note 19(c)(iii)					
Balance at 31 December 2020 and 1 January 2021	1,180,000	980	45,933	61,635	458,664	1,747,212	101,716	1,848,928	
Changes in equity for the six months ended 30 June 2021:									
Profit and total comprehensive income for the period	—	—	—	—	58,875	58,875	8,164	67,039	
Dividends to non-controlling interests approved in respect of the previous year	—	—	—	—	—	—	(3,200)	(3,200)	
Capital withdrawal by non-controlling shareholders	—	—	—	—	—	—	(40,000)	(40,000)	
Balance at 30 June 2021	1,180,000	980	45,933	61,635	517,539	1,806,087	66,680	1,872,767	
Balance at 30 June 2021 and 1 July 2021	1,180,000	980	45,933	61,635	517,539	1,806,087	66,680	1,872,767	
Changes in equity for the six months ended 31 December 2021:									
Profit and total comprehensive income for the period	—	—	—	—	57,614	57,614	3,045	60,659	
Appropriation to surplus reserve	—	—	2,861	—	(2,861)	—	—	—	
Appropriation to general reserve	—	—	—	3,740	(3,740)	—	—	—	
Acquisition of interest in subsidiary from non-controlling shareholders	—	447	—	—	—	447	(5,247)	(4,800)	
Balance at 31 December 2021	1,180,000	1,427	48,794	65,375	568,552	1,864,148	64,478	1,928,626	
Balance at 31 December 2021 and 1 January 2022	1,180,000	1,427	48,794	65,375	568,552	1,864,148	64,478	1,928,626	
Changes in equity for the six months ended 30 June 2022:									
Profit and total comprehensive income for the period	—	—	—	—	55,473	55,473	2,331	57,804	
Dividends approved in respect of the previous year (Note 19 (a))	—	—	—	—	(59,000)	(59,000)	—	(59,000)	
Balance at 30 June 2022	1,180,000	1,427	48,794	65,375	565,025	1,860,621	66,809	1,927,430	

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022 — unaudited

(Expressed in RMB'000, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities			
Cash (used in)/generated from operations		(1,918)	31,830
PRC income tax paid		(6,565)	(47,953)
Net cash used in operating activities		(8,483)	(16,123)
Investing activities			
Proceeds from disposal of investments		—	1,000
Proceeds from disposal of fixed assets		—	282
Payment for the purchase of fixed assets and intangible assets		(27)	(1,058)
Net cash (used in)/generated from investing activities		(27)	224
Financing activities			
Proceeds from bank loans		50,000	—
Proceeds from third parties borrowings		104,435	141,860
Proceeds from Euro zone borrowings		197,292	24,461
Repayment of bank loans		(50,000)	—
Repayment of third parties borrowings		(105,310)	(146,870)
Repayment of Euro zone borrowings		(128,725)	—
Interest paid		(15,732)	(18,335)
Capital element of lease rentals paid		(1,639)	(1,399)
Interest element of lease rentals paid		(142)	(225)
Payment for acquisition of interest in subsidiary from non-controlling shareholders		(2,600)	—
Dividends paid to non-controlling shareholders		—	(10,364)
Capital withdrawal paid to non-controlling shareholders		—	(40,000)
Net cash generated from/(used in) financing activities		47,579	(50,872)
Net increase/(decrease) in cash and cash equivalents		39,069	(66,771)
Cash and cash equivalents at 1 January	9	42,678	78,229
Effect of foreign exchange rates changes		(527)	—
Cash and cash equivalents at 30 June	9	81,220	11,458

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 19 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss.

The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

3 NET INTEREST INCOME

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest income arising from		
Loans and advances to customers	121,370	137,260
Cash at banks	42	215
	121,412	137,475
Interest and commission expenses arising from		
Borrowings from banks	(2,843)	(3,149)
Borrowings from non-bank institutions	(20,435)	(21,649)
Lease liabilities	(142)	(225)
Bank charges	(48)	(54)
	(23,468)	(25,077)
Net interest income	97,944	112,398

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's net interest income during the period. Details of credit risk management are set out in Note 20(a).

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

4 OTHER NET INCOME

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Government grants	10,313	15,197
Exchange gains	5,242	5,021
Gains from disposal of fixed assets	—	123
Others	(123)	1
Total	15,432	20,342

5 CHARGE OF IMPAIRMENT LOSSES

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Impairment losses		
— loans and advances to customers	6,628	12,418
— interest receivables	1,416	(17)
— other assets	—	492
Total	8,044	12,893

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries, bonuses and allowance	7,963	7,793
Social insurance and other benefits	1,425	1,658
Contribution to retirement scheme	99	363
Total	9,487	9,814

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

(b) Other items

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation expenses (Note 14)		
— owned fixed assets	2,372	2,518
— right-of-use assets	1,483	1,347
Auditors' remuneration	899	899
Amortization of intangible assets	283	309
Operating lease charges	4	51

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

7 INCOME TAX

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax		
Provision for PRC income tax for the period	17,774	25,749
Deferred tax (Note 15)		
Origination and reversal of temporary differences	2,815	(1,889)
Total	20,589	23,860

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in the PRC are subject to the PRC income tax at the statutory tax rate of 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: 25%).
- (ii) No provision for Hong Kong Profit Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profit Tax for the six months ended 30 June 2022 and 30 June 2021.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB55.5 million (six months ended 30 June 2021: RMB58.9 million) and the weighted average of 1,180,000,000 ordinary shares (six months ended 30 June 2021: 1,180,000,000) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2022 and 30 June 2021, and therefore, diluted earnings per share are the same as the basic earnings per share.

9 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash in hand	2	3
Cash at banks	81,114	42,673
Others	104	2
Cash and cash equivalents in the cash flow statement	81,220	42,678

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Corporate loans	1,078,981	1,016,232
Retail loans	1,654,758	1,611,615
Micro-loans granted online	28,757	27,843
Sub-total	2,762,496	2,655,690
Accrued interest	24,411	31,473
Gross loans and advances to customers	2,786,907	2,687,163
Less: Allowances for impairment losses	(205,958)	(197,684)
Net loans and advances to customers	2,580,949	2,489,479

(b) Analysed by type of collateral

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Unsecured loans	29,773	29,527
Guaranteed loans	2,697,327	2,596,837
Collateralized loans	14,739	12,262
Pledged loans	20,657	17,064
Sub-total	2,762,496	2,655,690
Accrued interest	24,411	31,473
Gross loans and advances to customers	2,786,907	2,687,163
Less: Allowances for impairment losses	(205,958)	(197,684)
Net loans and advances to customers	2,580,949	2,489,479

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by industry sector

	At 30 June 2022		At 31 December 2021	
	RMB'000	%	RMB'000	%
Wholesale and retail	599,000	21%	529,768	20%
Manufacturing	79,746	3%	88,864	3%
Construction	98,900	3%	109,300	4%
Agriculture, forestry, animal husbandry and fishery	500	1%	500	1%
Others	300,835	11%	287,800	11%
Corporate loans	1,078,981	39%	1,016,232	39%
Retail loans	1,654,758	60%	1,611,615	60%
Micro-loans granted online	28,757	1%	27,843	1%
Sub-total	2,762,496	100%	2,655,690	100%
Accrued interest	24,411		31,473	
Gross loans and advances to customers	2,786,907		2,687,163	
Less: Allowances for impairment losses	(205,958)		(197,684)	
Net loans and advances to customers	2,580,949		2,489,479	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	At 30 June 2022				Total RMB'000
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	
Unsecured loans	377	565	614	12,043	13,599
Guaranteed loans	17,300	14,823	21,679	54,670	108,472
Collateralized loans	—	3,277	—	4,012	7,289
Total	17,677	18,665	22,293	70,725	129,360

	At 31 December 2021				Total RMB'000
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	
Unsecured loans	483	290	486	12,127	13,386
Guaranteed loans	31,102	1,780	40,455	31,250	104,587
Collateralized loans	1,004	—	—	4,013	5,017
Total	32,589	2,070	40,941	47,390	122,990

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	At 30 June 2022			Total RMB'000
	12-month ECLs RMB'000	Lifetime ECLs non credit- impaired RMB'000	Lifetime ECLs credit- impaired RMB'000	
Gross loans and advances to customers	2,596,075	61,642	129,190	2,786,907
Less: Allowances for impairment losses	(71,969)	(11,786)	(122,203)	(205,958)
Net loans and advances to customers	2,524,106	49,856	6,987	2,580,949

	At 31 December 2021			Total RMB'000
	12-month ECLs RMB'000	Lifetime ECLs non credit- impaired RMB'000	Lifetime ECLs credit- impaired RMB'000	
Gross loans and advances to customers	2,498,812	64,764	123,587	2,687,163
Less: Allowances for impairment losses	(65,720)	(13,939)	(118,025)	(197,684)
Net loans and advances to customers	2,433,092	50,825	5,562	2,489,479

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of allowances for impairment losses

	Six months ended 30 June 2022			Total RMB'000
	12-month ECLs RMB'000	Lifetime ECLs non credit- impaired RMB'000	Lifetime ECLs credit- impaired RMB'000	
At 1 January 2022	65,720	13,939	118,025	197,684
Transferred to				
— Lifetime ECLs non credit-impaired	(2)	2	—	—
— Lifetime ECLs credit-impaired	(929)	(2)	931	—
Charge/(reversal) for the period	7,180	(2,153)	1,601	6,628
Recoveries of loans and advances written off in previous years	—	—	1,646	1,646
At 30 June 2022	71,969	11,786	122,203	205,958
		Year ended 31 December 2021		
	12-month ECLs RMB'000	Lifetime ECLs non credit- impaired RMB'000	Lifetime ECLs credit- impaired RMB'000	Total RMB'000
At 1 January 2021	59,336	18,134	110,067	187,537
Transferred to				
— Lifetime ECLs non credit-impaired	(2)	2	—	—
— Lifetime ECLs credit-impaired	(1,881)	(97)	1,978	—
Charge/(reversal) for the year	8,267	(4,100)	14,710	18,877
Write off	—	—	(11,574)	(11,574)
Recoveries of loans and advances written off in previous years	—	—	2,844	2,844
At 31 December 2021	65,720	13,939	118,025	197,684

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(g) Analysed by credit quality

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Gross balance of loans and advances to customers that are assessed for 12-month ECLs		
— Neither overdue nor credit-impaired	2,596,075	2,498,812
Sub-total	2,596,075	2,498,812
Gross balance of loans and advances to customers that are assessed for lifetime ECLs non credit-impaired		
— Overdue but not credit-impaired	170	5
— Neither overdue nor credit-impaired	61,472	64,759
Sub-total	61,642	64,764
Gross balance of loans and advances to customers that are assessed for lifetime ECLs credit-impaired		
— Overdue and credit-impaired	129,190	122,985
— Not overdue but credit-impaired	—	602
Sub-total	129,190	123,587
Less: Allowances for impairment losses	(205,958)	(197,684)
Net value	2,580,949	2,489,479

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

11 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Wealth management product	10	10
	10	10

Wealth management product was issued by a bank in the PRC, which was an unlisted investment.

12 INTANGIBLE ASSETS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Computer software	236	519

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

13 INVESTMENTS IN SUBSIDIARIES

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

Name of Companies	Place of incorporation and business	Paid up capital	Proportion of ownership interest at 30 June 2022 and 31 December 2021		Principal activities
			Group's effective interest	Held by the Company	
Deqing Jinhui Micro-finance Company Limited (德清金匯小額貸款有限公司) ("Jinhui Micro-finance") (Note (i))	Deqing, Zhejiang	1,228,000,000	99.76%	99.76%	Micro-finance
Zuoli Micro-finance Hong Kong International Investment Company Limited (佐力小貸香港國際投資有限公司) ("Zuoli HK") (Note (ii))	Hong Kong	—	100.00%	100.00%	Investment, Trading
Hangzhou High-tech District (Binjiang) Xing Yao Pu Hui Micro-finance Co., Ltd. (杭州市高新區(濱江)興耀普匯小額貸款有限公司) ("Xingyao Micro-finance") (Note (iii))	Hangzhou, Zhejiang	100,000,000	60%	60%	Micro-finance

Notes:

- (i) Pursuant to the equity transfer agreement and the supplemental agreement entered into by the Company and a non-controlling shareholder of Jinhui Micro-finance dated 25 January 2021 and 6 July 2021, the Company acquired 0.33% equity interest in Jinhui Micro-finance at a consideration of RMB4.8 million after obtaining approvals from relevant authorities in the PRC. Upon the completion of the aforementioned acquisition, the Company's equity interest in Jinhui Micro-finance increased from approximately 99.43% to 99.76%. As at 30 June 2022, the Company had paid RMB4.8 million in accordance with the payment plan in the supplemental agreement. The difference between the acquisition consideration and the carrying amount of the 0.33% equity interest in Jinhui Micro-finance amounted to RMB447.0 thousand was recorded as Reserves-Capital reserve in the consolidated statement of financial position as at 31 December 2021.
- (ii) On 18 August 2015 (date of incorporation), Zuoli HK's 1,000,000 shares with par value of HK\$1 was allotted and issued to its sole shareholder, the Company. As at 30 June 2022 the issued shares had not been paid by the Company.
- (iii) At the Xingyao Micro-finance's shareholders' meeting held on 30 October 2020, the capital of RMB100.0 million was approved to be returned to all equity shareholders on a pro-rata basis. After obtaining approvals from relevant authorities in the PRC in January 2021, the capital was paid and the capital of Xingyao Micro-finance was reduced by RMB100.0 million.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

14 FIXED ASSETS

(a) Reconciliation of carrying amount

	Premise	Right-of- use assets	Office and other equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2021	21,084	8,081	3,943	5,086	1,877	35,882	75,953
Additions	1,031	818	22	—	111	—	1,982
Disposal	—	—	—	(630)	—	—	(630)
At 31 December 2021 and 1 January 2022	22,115	8,899	3,965	4,456	1,988	35,882	77,305
Additions	—	—	—	—	26	1	27
Disposal	—	—	(1)	—	—	—	(1)
At 30 June 2022	22,115	8,899	3,964	4,456	2,014	35,883	77,331
Accumulated depreciation:							
At 1 January 2021	(1,521)	(1,122)	(2,445)	(3,958)	(1,674)	(14,345)	(25,065)
Charge for the year	(726)	(2,739)	(554)	(531)	(76)	(3,006)	(7,632)
Disposal	—	—	—	472	—	—	472
At 31 December 2021 and 1 January 2022	(2,247)	(3,861)	(2,999)	(4,017)	(1,750)	(17,351)	(32,225)
Charge for the period	(368)	(1,483)	(274)	(186)	(42)	(1,502)	(3,855)
Disposal	—	—	1	—	—	—	1
At 30 June 2022	(2,615)	(5,344)	(3,272)	(4,203)	(1,792)	(18,853)	(36,079)
Net book value:							
At 30 June 2022	19,500	3,555	692	253	222	17,030	41,252
At 31 December 2021	19,868	5,038	966	439	238	18,531	45,080

(b) Right-of-use assets

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Premises leased for own use, carried at depreciated cost	3,555	5,038

15 DEFERRED TAX ASSETS

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the period are as follows:

<i>Deferred tax assets arising from:</i>	Provision for impairment losses	Accrued expenses	Tax deductible losses	Exchange gains	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	47,456	345	1,144	—	48,945
Charged to profit or loss	4,477	(96)	(1,144)	—	3,237
At 31 December 2021 and 1 January 2022	51,933	249	—	—	52,182
Charged to profit or loss (Note 7)	2,059	(190)	—	(4,684)	(2,815)
At 30 June 2022	53,992	59	—	(4,684)	49,367

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

16 INTEREST-BEARING BORROWINGS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank loans (Note (i))		
— Amortised cost	130,000	130,000
— Accrued interest	140	157
	130,140	130,157
Borrowings from third parties (Note (ii))		
— Amortised cost	195,844	196,980
— Accrued interest	4,177	4,023
	200,021	201,003
Borrowings from Euro zone (Note (iii))		
— Amortised cost	380,627	313,784
— Accrued interest	1,900	29
	382,527	313,813
Total	712,688	644,973

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

16 INTEREST-BEARING BORROWINGS (CONTINUED)

Notes:

- (i) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2022 and 31 December 2021, none of the covenants relating to the bank loans had been breached.
- (ii) During the period from 1 January 2022 to 30 June 2022, the Group obtained financings with nominal amount totaling RMB104.5 million at an interest rate ranging from 5.2% to 5.7% per annum by issuing financing products indirectly on trading platforms located in the PRC which are due from March 2022 to June 2022. As at 30 June 2022, the remaining balance of these financings was RMB199.0 million. The above transactions were guaranteed by certain shareholders and related parties.
- (iii) During the years ended 31 December 2019, 2020 and 2021, the Group obtained financing with nominal amount totaling EUR26.5 million from four financial institutions located in Euro zone, which bear interest ranging from 4.25% to 4.38% per annum and are due from December 2022 to December 2024. Among these borrowings, nominal amount totaling EUR4.5 million at an interest rate of 4.25% per annum are guaranteed by the Jinhui Micro-finance, which are due in June 2024.

During the six months ended 30 June 2022, the Group obtained financing with nominal amount totaling EUR18.5 million from four financial institutions located in Euro zone, which bear interest ranging from 4.00% to 4.25% per annum and are due from March 2024 to May 2025. Among these borrowings, nominal amount totaling EUR4.3 million at an interest rate of 4.00% per annum are guaranteed by the Jinhui Micro-finance, which are due in March 2024.

During the six months ended 30 June 2022, the Group also obtained financing with nominal amount totaling CNH75.0 million at an interest rate of 8.03% per annum from a financial institution located in Euro zone, which are guaranteed by the Jinhui Micro-finance and due in May 2027.

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

17 ACCRUALS AND OTHER PAYABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Accrued staff costs	3,074	5,529
Value-added tax payable	378	6,479
Tax and surcharges and other taxation payable	1,516	1,984
Other payables	12,043	14,228
	17,011	28,220

18 DIVIDENDS PAYABLE

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Dividends payable (Note 19(a))	59,000	—

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the period.

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Final dividend in respect of the previous financial year, approved during the period, of RMB0.05 per share (2021: nil)	59,000	—

At the annual general meeting held on 23 June 2022, the cash dividends of RMB0.05 per share before tax in aggregation amount of RMB59.0 million was approved to declare to all equity shareholders. The dividend was attributable to the year of 2021. (During the period from 1 January 2021 to 31 December 2021: nil)

At the Xingyao Micro-finance's shareholders' meeting held on 20 May 2021, the cash dividend of RMB8.0 million was approved to declare to all equity shareholders and paid during the year ended 31 December 2021. The dividend was attributable to the year of 2020.

(b) Share capital

As at 30 June 2022, the share capital represented 1,180,000,000 ordinary shares of the Company at RMB1 each.

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents the increase of equity interest in Jinhui Micro-finance arising from the capital injection. For details, please see Note 13.

(ii) Surplus reserve

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

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

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

(iii) General reserve

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

19 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Capital management

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

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

There were no changes in the Group's approach to capital management during the period from 1 January 2021 to 30 June 2021 and from 1 January 2022 to 30 June 2022.

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

20 FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

Credit risk arising from micro-finance business

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit risk arising from micro-finance business (Continued)

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

Stage 1

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

Stage 2

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

Stage 3

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

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

When a certain number of customers undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to a particular industry or geographic location. As the Group mainly conducts micro-finance business in Zhejiang Province, a certain level of geographical concentration risk exists for its loan portfolios in that it might be affected by changes of economic conditions. At 30 June 2022, 1.44% (31 December 2021: 1.53%) and 6.39% (31 December 2021: 6.48%) of the total loans and advances to customers was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk of loans and advances to customers for each stage is represented by the net carrying amount of each type of financial assets as at the end of the reporting periods. For details, please see Note 10.

Other credit risk

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

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

	At 30 June 2022					Carrying amount RMB'000
	Overdue/ Repayment on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	Total RMB'000	
Assets						
Cash and cash equivalents	81,220	—	—	—	81,220	81,220
Interest receivables	443	—	—	—	443	443
Loans and advances to customers	129,360	408,835	2,348,722	21,144	2,908,061	2,580,949
Financial assets measured at fair value through profit or loss	10	—	—	—	10	10
Other assets	488	—	—	—	488	488
Total	211,521	408,835	2,348,722	21,144	2,990,222	2,663,110
Liabilities						
Interest-bearing borrowings	—	(61,297)	(424,870)	(288,676)	(774,843)	(712,688)
Lease liabilities	—	(1,640)	(1,642)	(334)	(3,616)	(3,503)
Accruals and other payables	(12,043)	—	—	—	(12,043)	(12,043)
Total	(12,043)	(62,937)	(426,512)	(289,010)	(790,502)	(728,234)
	199,478	345,898	1,922,210	(267,866)	2,199,720	1,934,876

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	At 31 December 2021					Total RMB'000	Carrying amount RMB'000
	Overdue/ Repayment on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000			
Assets							
Cash and cash equivalents	42,678	—	—	—	42,678	42,678	
Interest receivables	177	—	—	—	177	177	
Loans and advances to customers	138,159	488,954	2,204,620	12,784	2,844,517	2,489,479	
Financial assets measured at fair value through profit or loss	10	—	—	—	10	10	
Other assets	366	—	—	—	366	366	
Total	181,390	488,954	2,204,620	12,784	2,887,748	2,532,710	
Liabilities							
Interest-bearing borrowings	—	(66,328)	(539,332)	(72,598)	(678,258)	(644,973)	
Lease liabilities	—	(1,635)	(1,640)	(1,975)	(5,250)	(4,995)	
Accruals and other payables	(14,228)	—	—	—	(14,228)	(14,228)	
Total	(14,228)	(67,963)	(540,972)	(74,573)	(697,736)	(664,196)	
	167,162	420,991	1,663,648	(61,789)	2,190,012	1,868,514	

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest risk

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

(i) Interest rate profile

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Fixed interest rate		
Financial assets		
— Loans and advances to customers	2,580,949	2,489,479
Financial liabilities		
— Interest-bearing borrowings	(712,688)	(644,973)
— Lease liabilities	(3,503)	(4,995)
Net	1,864,758	1,839,511
Variable interest rate		
Financial assets		
— Cash at banks	81,114	42,673
Net	81,114	42,673
Net fixed rate borrowings as a percentage of total borrowings	100.00%	100.00%

(ii) Sensitivity analysis

At 30 June 2022 and 31 December 2021, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the Group's net profit during the next 12 months by approximately RMB304,000 and RMB160,000 respectively.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure to foreign currencies	
	At 30 June 2022 Euros RMB'000	At 31 December 2021 Euros RMB'000
Cash and cash equivalents	63,643	36,058
Interest-bearing borrowings	(315,741)	(190,630)
	(252,098)	(154,572)

(ii) Sensitivity analysis

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

	At 30 June 2022		At 31 December 2021	
	Increase/ (decrease) in foreign exchange rates bps	Effect on profit after tax and retained profits RMB'000	(decrease) in foreign exchange rates bps	Effect on profit after tax and retained profits RMB'000
Euros	100	(1,891)	100	(1,159)
	(100)	1,891	(100)	1,159

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

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value hierarchy:

	At 30 June 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss Wealth management products	—	10	—	10

	At 31 December 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss Wealth management products	—	10	—	10

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the hybrid fund is based on the net asset value published by the asset management company and the net asset value is observable.

The fair value of wealth management products is determined with reference to the forecasted yield published by the issuing bank as at the end of the reporting period and period that the Group has held such wealth management products.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurement (Continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values at 31 December 2021 and 30 June 2022.

21 COMMITMENTS

As at 30 June 2022 and 31 December 2021, there is no capital commitment of the Group.

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Key management personnel remuneration (Note (i))	1,322	1,436
Receiving guarantees for bank loans (Note (ii))	50,000	—
Receiving guarantees for borrowings from third parties (Note (iii))	104,500	143,420
Releasing guarantees for bank loans (Note (ii))	(50,000)	—
Releasing guarantees for borrowing from third parties (Note (iii))	(105,310)	(146,870)

Notes:

- (i) Remuneration of key management personnel of the Group is included in "staff cost" (see Note 6(a)).
- (ii) The guarantees for bank loans during the six months ended 30 June 2022 were provided by the Chairman of the Board without charges. For the details of bank loans, please refer to Note 16(i).
- (iii) The guarantees for borrowings from third parties during the six months ended 30 June 2022 were provided by the Chairman of the Board without charges. For the details of other borrowings from third parties, please refer to Note 16(ii).

(b) Balances with key management personnel

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Guarantees received for borrowing from third parties	198,950	199,760
Guarantees received for bank loans	130,000	130,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

22 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other related party transactions

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Administrative expenses (Note (i))	840	708
Depreciation expense of right-of-use assets (Note (ii))	1,347	1,347
Interest expense of lease liabilities (Note (ii))	119	225
Receiving guarantees for bank loans (Note (iii))	50,000	—
Receiving guarantees for borrowings from third parties (Note (iv))	104,500	143,420
Releasing guarantees for bank loans (Note (iii))	(50,000)	—
Releasing guarantees for borrowings from third parties (Note (iv))	(105,310)	(146,870)

Notes:

- (i) The utilities and entertainment fees were paid to Zuoli Holdings Group Company Limited and its subsidiary.
- (ii) On 7 July 2020, the Company and Zuoli Holdings Group Company Limited entered into a new lease agreement, pursuant to which Zuoli Holdings Group Company Limited agreed to lease a property to the Group for a term of 3 years commencing from 7 July 2020 and ending on 6 July 2023.
- (iii) The guarantees for bank loans during the six months ended 30 June 2022 were provided by other related parties of the Group without charges. For the details of bank loans, please refer to Note 16(i).
- (iv) The guarantees for borrowings from third parties during the six months ended 30 June 2022 were provided by other related parties of the Group without charges. For the details of other borrowings from third parties, please refer to Note 16(ii).

(d) Balances with other related parties

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Lease liabilities	2,910	4,280
Guarantees received for bank loans	130,000	130,000
Guarantees received for borrowing from third parties	198,950	199,760



OTHER INFORMATION

CORPORATE GOVERNANCE

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

As of the date of this report, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions of the CG Code. Throughout the six months ended 30 June 2022, the Company has fully complied with the CG Code.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

UPDATE ON INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in the information of the Directors required to be disclosed since the Company's last published annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as the code of conduct for carrying out securities transactions of the Company by the Directors. After specific enquiry with all members of the Board, it was confirmed that they have complied with the relevant standards stipulated in the Model Code throughout the six months ended 30 June 2022.

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

SHARE CAPITAL

As at 30 June 2022, the total issued share capital of the Company was RMB1,180,000,000, divided into 1,180,000,000 shares of RMB 1.00 each, of which 880,000,000 were Domestic Shares and 300,000,000 were H Shares.

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

As at 30 June 2022, the interests or short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests of the Directors in the Shares

Name of Director	Class of shares	Number of shares ⁽⁴⁾	Nature of interest	Approximate percentage in the relevant class of shares ⁽¹⁾	Approximate percentage in the total issued shares ⁽¹⁾
Yu Yin	Domestic Shares	98,000,000 (L)	Beneficial owner ⁽²⁾	11.14%	8.31%
	Domestic Shares	316,061,040 (L)	Interests held jointly with another person ⁽²⁾	35.91%	26.78%
Zheng Xuegen	Domestic Shares	2,992,000 (L)	Beneficial owner	0.34%	0.25%
Pan Zhongmin	Domestic Shares	11,792,000 (L)	Interest of a controlled Corporation ⁽³⁾	1.34%	1.00%

Notes:

- (1) The calculation is based on the total number of 1,180,000,000 ordinary shares of the Company in issue as at 30 June 2022, which is comprised of 880,000,000 Domestic Shares and 300,000,000 H Shares.
- (2) On 28 April 2014, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy entered into the Acting in Concert Agreement, pursuant to which they jointly and severally undertook that they would, by themselves, together with their associates or through the companies controlled by them, adopt a consensus building approach to reach decisions on a unanimous basis, and exercise their voting rights at the meetings of the Shareholders of the Company (and of its subsidiaries, if any in the future) based on such decisions. As at 30 June 2022, Mr. Yu Youqiang (through Deqing Yintian, Zuoli Holdings and Puhua Energy), Mr. Yu Yin, Mr. Shen Haiying (by himself and through Dingsheng Investment and Zuoli Holdings), Mr. Zhang Jianming and Puhua Energy together control approximately 35.09% of the total issued shares in the Company. As a result of the Acting in Concert Agreement and by virtue of the SFO, each of Puhua Energy, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying and Mr. Zhang Jianming are deemed to be interested in approximately 35.09% of the total issued shares in the Company.
- (3) Mr. Pan Zhongmin holds 75.50% of the equity interest of Bangni Fiber, which in turn holds approximately 1.00% of the total issued shares in the Company. By virtue of the SFO, Mr. Pan Zhongmin is deemed to be interested in approximately 1.00% of the total issued shares in the Company.
- (4) The letter "L" denotes the person's long position in such securities.

Save as disclosed above, as at 30 June 2022, none of the Directors, Supervisors nor chief executive of the Company has registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2022, the persons or corporations who had or deemed or taken to have an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares ⁽⁶⁾	Nature of interest	Percentage in the relevant class of share capital ⁽¹⁾	Percentage in the total issued share capital ⁽¹⁾
Mr. Yu Youqiang	Domestic Shares	414,061,040 (L)	Interest of a controlled corporation ⁽²⁾⁽³⁾	47.05%	35.09%
Puhua Energy	Domestic Shares	293,130,000 (L)	Beneficial owner ⁽²⁾	33.31%	24.84%
	Domestic Shares	120,931,040 (L)	Interests held jointly with another person ⁽²⁾	13.74%	10.25%
Zuoli Holdings	Domestic Shares	414,061,040 (L)	Interest of a controlled corporation ⁽²⁾⁽⁴⁾	47.05%	35.09%
Deqing Yintian	Domestic Shares	414,061,040 (L)	Interest of a controlled corporation ⁽²⁾⁽⁵⁾	47.05%	35.09%
Mr. Shen Haiying	Domestic Shares	3,630,000 (L)	Beneficial owner ⁽²⁾	0.41%	0.31%
	Domestic Shares	410,431,040 (L)	Interests held jointly with another person ⁽²⁾	46.64%	34.78%
Dingsheng Investment	Domestic Shares	414,061,040 (L)	Interests held jointly with another person ⁽²⁾	47.05%	35.09%
Mr. Zhang Jianming	Domestic Shares	19,301,040 (L)	Beneficial owner ⁽²⁾	2.19%	1.64%
	Domestic Shares	394,760,000 (L)	Interests held jointly with another person ⁽²⁾	44.86%	33.45%
Mr. Peng Tao	H Shares	68,200,000 (L)	Beneficial owner	22.73%	5.78%
Gawsun (HK) International Trading Co., Limited	H Shares	65,860,000 (L)	Beneficial owner	21.95%	5.58%
Tamai Investments Corp.	H Shares	21,662,000 (L)	Trustee	7.22%	1.84%

Notes:

- (1) The calculation is based on the total number of 1,180,000,000 ordinary shares of the Company in issue as at 30 June 2021, which is comprised of 880,000,000 Domestic Shares and 300,000,000 H Shares.
- (2) On 28 April 2014, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy entered into an Acting in Concert Agreement, pursuant to which they jointly and severally undertook that they would, by themselves, together with their associates or through the companies controlled by them, adopt a consensus building approach to reach decisions on a unanimous basis, and exercise their voting rights at the meetings of the Shareholders (and of its subsidiaries, if any in the future) based on such decisions. As at 30 June 2022, Mr. Yu Youqiang (through Deqing Yintian, Zuoli Holdings and Puhua Energy), Mr. Yu Yin, Mr. Shen Haiying (by himself and through Dingsheng Investment and Zuoli Holdings), Mr. Zhang Jianming and Puhua Energy together control approximately 35.09% of the issued share capital in the Company. As a result of the Acting in Concert Agreement and by virtue of the SFO, each of Puhua Energy, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying and Mr. Zhang Jianming are deemed to be interested in approximately 35.09% of the issued share capital in the Company.
- (3) As Puhua Energy is indirectly controlled by Mr. Yu Youqiang, Mr. Yu Youqiang is deemed to be interested in the Shares held by Puhua Energy.
- (4) Puhua Energy is owned by Zuoli Holdings directly and indirectly as to 100% of its equity interest in aggregate. By virtue of the SFO, Zuoli Holdings is deemed to be interested in the Shares held by Puhua Energy.
- (5) Deqing Yintian is wholly owned by Mr. Yu Youqiang and holds approximately 79.56% of the equity interest in Zuoli Holdings. Zuoli Holdings is controlled by Deqing Yintian and therefore Deqing Yintian is deemed to be interested in the Shares held by Zuoli Holdings.
- (6) The letter "L" denotes the person's long position in such securities.

Save as disclosed above, the Directors were not aware of, as at 30 June 2022, any other person or corporations who had or deemed or taken to have an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

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

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

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021: nil).

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the six months ended 30 June 2022 and up to the date of this report.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

On 8 April 2019, Mr. Yu Yin, a Controlling Shareholder, notified the Company that he has charged 88,000,000 domestic shares, representing approximately 7.46% of the total issued share capital of the Company, in favour of Shanghai Pudong Development Bank Co., Ltd. (Huzhou Deqing Sub-branch) as security for a facility provided to Jinhui Micro-finance.

On 11 May 2021, Puhua Energy, a substantial shareholder of the Company, notified the Company that it has charged 293,130,000 domestic shares, representing 24.84% of the total issued share capital of the Company, in favour of Zheli Financial Service as security for a facility provided to Puhua Energy.

For details of the above, please refer to the announcements of the Company dated 8 April 2019 and 11 May 2021, respectively.

AUDIT COMMITTEE

The unaudited consolidated interim results of the Group for the six months ended 30 June 2022 have been reviewed by the audit committee of the Company.

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

Hong Kong, 19 August 2022

* For identification purpose only