



CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 1290



# 2023 INTERIM REPORT





**WE ARE COMMITTED TO BEING A LEADING  
COMPREHENSIVE FINANCING SERVICE PROVIDER  
IN CHINA.**

We are dedicated to providing diversified financial services such as pawnshop, micro-finance, commercial factoring, financial leasing, art investment, equity investment, special asset investment and turnover loan fund to our customers.

Our business currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang and Hong Kong, and is striving to become a leading service provider of inclusive finance and ecology finance in the PRC.



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wu Min (*Chairman*)  
Mr. Qiu Wei (*Chief Executive Officer*)  
Mr. Zhang Changsong (*Vice President*)  
Mr. Yao Wenjun (*Vice President*)

### Non-executive Directors

Ms. Zhang Shu  
Mr. Ling Xiaoming

### Independent Non-executive Directors

Mr. Liang Jianhong  
Mr. Feng Ke  
Mr. Tse Yat Hong

## COMMITTEE COMPOSITION

### Audit Committee

Mr. Tse Yat Hong (*Chairman*)  
Mr. Feng Ke  
Ms. Zhang Shu

### Remuneration Committee

Mr. Liang Jianhong (*Chairman*)  
Mr. Tse Yat Hong  
Mr. Wu Min

### Nomination Committee

Mr. Wu Min (*Chairman*)  
Mr. Feng Ke  
Mr. Liang Jianhong

## JOINT COMPANY SECRETARIES

Mr. Chai Kun  
Ms. Kam Mei Ha Wendy

## AUTHORISED REPRESENTATIVES

Mr. Wu Min  
Ms. Kam Mei Ha Wendy

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23/F, No. 238  
Des Voeux Road Central  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

9th Floor, Building A, No. 288 Yingchun Road  
Wuzhong District, Suzhou  
Jiangsu Province, the PRC

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

# CORPORATE INFORMATION



## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

## PRINCIPAL BANKS

Jiangsu Bank, Suzhou Branch  
Suzhou Bank, Suzhou Branch

## AUDITORS

RSM Hong Kong<sup>1</sup>

## LEGAL ADVISERS

Mayer Brown  
Haiwen & Partners

## COMPANY'S WEBSITE

[www.cnhuirong.com](http://www.cnhuirong.com)

## STOCK CODE

The shares of the Company are listed on the Main Board of the Stock Exchange

01290

1. RSM Hong Kong has been appointed as the auditors of the Company in place of PricewaterhouseCoopers with effect from 12 June 2023.

# FINANCIAL SUMMARY

	Six Months Ended 30 June		
	2023 RMB'000 Unaudited	2022 RMB'000 Unaudited	Change %
<b>Operating Results</b>			
Operating income	317,157	305,419	4%
Operating cost	202,974	191,717	6%
Profit attributable to owners of the Company	27,619	18,149	52%
Basic earnings per share (RMB)	0.025	0.017	47%
	As at		
	As at 30 June 2023 RMB'000 Unaudited	As at 31 December 2022 RMB'000 Audited	Change %
<b>Financial Position</b>			
Total assets	2,975,311	2,985,146	0%
Total liabilities	834,324	873,816	-5%
Loans to customers	2,120,233	2,107,055	1%
Cash at bank and cash on hand	287,205	309,139	-7%
Net assets	2,140,987	2,111,330	1%

# MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the Company continued to fulfill the requirements of the Board to “manage the surplus in hand, provide a platform for a convenient life, solve temporary problems, and cheer up SMEs”, and insisted on the business philosophy of “intensive management and refined management”. The overall operating situation was significantly improved as compared with the corresponding period of last year. In terms of the Inclusive Finance Business, we adjusted our business strategy concerning the real estate backed loans and enriched its product categories. We also explored the innovative business model of “cloud pawnshop” in terms of movable property backed loans. The art investment business maintained a steady growth and the luxury sales business launched a new attempt to open a new store in the shopping mall. In terms of the Ecology Finance Business, new breakthroughs were made in the scale and performance of the commercial factoring business. The supply chain management business focused on making profit under controllable risks and value creation. The equity investment business maintained a stable investment rhythm. The financial leasing business successfully granted the first lease after the completion of the license application and preparation of our relevant operating entity.

## 1. BUSINESS REVIEW AND DEVELOPMENT

### 1.1 Inclusive Finance Business Division

The Inclusive Finance Business Division conducts its business through platforms such as Wuzhong Pawnshop, Changsha Pawnshop, Nanchang Pawnshop, Dongshan Micro-finance, Huifang Rongtong, Nanjing Yiling and Huirong Culture. The division conducts pawnshop business, micro-finance business, turnover loan fund business, art investment business and luxury sales business by adhering to the concept of small-sums and dispersed inclusive finance. Major products under this division include secured loans (including real estate backed loans and movable property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and other unsecured loans), which focus on solving short-term liquidity needs of SMEs and individuals. The business of Inclusive Finance Business Division currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha and Nanchang, and is striving to become a leading service provider of inclusive finance in the PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (a) Pawnshop Business

The following table sets out the details of total transaction amount, number and income of loans granted as of 30 June 2023:

	For the six months ended 30 June	
	2023	2022
<b>Total transaction number of new secured loans</b>		
Total transaction number of new real estate backed loans	<b>298</b>	342
Total transaction number of new movable property backed loans	<b>1,697</b>	1,140
<b>Total transaction amount of new secured loans (RMB million)</b>		
Total transaction amount of new real estate backed loans	<b>211</b>	205
Total transaction amount of new movable property backed loans	<b>164</b>	58
<b>Balance of secured loans at the end of the Reporting Period (principal) (RMB million)</b>		
Balance of real estate backed loans at the end of the Reporting Period (principal)	<b>708</b>	687
Balance of movable property backed loans at the end of the Reporting Period (principal)	<b>158</b>	79
<b>Interest income of secured loans (RMB thousand)</b>		
Interest income of real estate backed loans	<b>48,159</b>	50,991
Interest income of movable property backed loans	<b>11,190</b>	6,802
<b>Total transaction number of new unsecured loans</b>	<b>20</b>	25
<b>Total transaction amount of new unsecured loans (RMB million)</b>	<b>362</b>	401
<b>Balance of unsecured loans at the end of the Reporting Period (principal) (RMB million)</b>	<b>397</b>	375
<b>Interest income of unsecured loans (RMB thousand)</b>	<b>12,464</b>	11,997

The pawnshop business mainly relies on Wuzhong Pawnshop, Changsha Pawnshop and Nanchang Pawnshop as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is an indirect wholly-owned subsidiary of the Company by virtue of the series of Contractual Arrangements. Wuzhong Pawnshop is the largest pawnshop in Mainland China. Changsha Pawnshop, established in 2021 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company. Nanchang Pawnshop, established in 2022 with a registered capital of RMB30 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 90% of the equity interests of Nanchang Pawnshop.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## ① Real Estate Backed Loans

Real estate backed loans primarily provide personal or corporate financing services to customers who have obtained real estate certificates. Business risks are comprehensively assessed based on customer credit status, real estate value, customer industry analysis and solvency, etc. The loan amount does not exceed 80% of the total evaluation price. The interest rates range from 8% to 24% per annum and the loan term is no longer than 1 year. The operation area is mainly in core urban areas of Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang and other cities in the PRC. The target customers are mainly distributed across manufacturing, beverage, retail, trade and other industries. As of 30 June 2023, the total number of customers was 349, and the five largest customers contributed, in aggregate, 44.54% of the balance of real estate backed loans at the end of the Reporting Period (principal). As one of the core products of the Inclusive Finance Business Division, secured loans have high-quality customer resources and have maintained a sound and steady trend of development.

As of 30 June 2023, the balance at the end of the Reporting Period (principal) and the interest income of real estate backed loans granted by the Company were RMB708 million and RMB48,159 thousand, respectively, representing an increase in balance and a decrease in interest income as compared with the corresponding period of last year. The main reason was the decrease in unwinding interest due to the recovery of certain large loans in stage 3.

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

For the first half of 2023, the Company conducted the application for the establishment of Fuzhou Huifang Pawnshop Co., Ltd.\* (福州市匯方典當有限責任公司) and obtained the business licence on 23 August 2023. We adjusted our business strategy in relation to real estate backed loans periodically, and actively explored more dislocation competition and development opportunities. The development direction of the real estate backed loans in the future is to continue to implement its national expansion strategy by establishing one or two pawnshops in provincial capital cities per year and expanding its business to 10 to 12 cities by 2025.

## ② Movable Property Backed Loans

The movable property backed loans mainly provide fast movable property backed financing services to individuals, and the product categories cover artworks, gold, jewelry, diamonds, watches and luxury goods, etc. The loan amount does not exceed 95% of the total evaluation price. The interest rates and comprehensive rates range from 8% to 54% per annum and the loan term is within 1 year. The operation area is mainly in core urban areas of Suzhou. The businesses in Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang and other cities are also gradually expanding. The target customers are mainly distributed across manufacturing, agriculture, retail and other industries. As of 30 June 2023, the total number of customers was 767, and the five largest customers contributed, in aggregate, 80.20% of the balance of movable property backed loans at the end of the Reporting Period (principal).

# MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2023, the balance at the end of the Reporting Period (principal) and the interest income of movable property backed loans granted by the Company were RMB158 million and RMB11,190 thousand, respectively, representing a significant increase as compared with the corresponding period of last year. The main reason was that the Company strengthened the marketing of the movable property backed loans and focused on artworks pawnshop business. The Company also created the “cloud pawnshop” platform by cooperating with other outstanding pawnshops in Jiangsu Province, expanding the scope of customer services.

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

For the first half of 2023, the movable property backed loans explored the innovative business model under the encouragement and guidance of regulatory authorities. The development direction of the movable property backed loans in the future is to strengthen the inter-industry cooperation and the level of digitization of stores, and improve customer satisfaction.

## ③ Unsecured Loans

The unsecured loans mainly provide equity financing services for SMEs. Business risks are comprehensively assessed based on the enterprise operation, financial conditions, industry development and debt repayment ability, etc. The loan amount does not exceed 50% of the total equity evaluation price. The interest rates range from 8% to 18% per annum and the loan term is 6 months. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, construction, investment and other industries. As of 30 June 2023, the total number of customers was 20, and the five largest customers contributed, in aggregate, 59.00% of the balance of unsecured loans at the end of the Reporting Period (principal).

As of 30 June 2023, the balance at the end of the Reporting Period (principal) and the interest income of unsecured loans granted by the Company were RMB397 million and RMB12,464 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the Company slightly strengthened its loan support for long-term cooperative customers.

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

For the first half of 2023, the Company attached great importance to the actual business situation of the customers of unsecured loans and strictly controlled the risks of the unsecured loans after evaluation of the situation. The development direction of the unsecured loans in the future is to form new strategic partnerships, prudently control the existing business balance, and seek a small-sums and dispersed transformation direction.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## (b) Micro-finance business

The following table sets out the details of total new loans secured by real estate, guaranteed loans and credit loans as of 30 June 2023:

	For the six months ended 30 June	
	2023	2022
Total number of new loans granted	67	111
Total amount of new loan granted (RMB million)	194	187
Balance at the end of the Reporting Period (principal) (RMB million)	416	349
Interest income (RMB thousand)	20,579	19,744

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

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

Business risks of secured loans are comprehensively assessed based on the Company's credit status, collateral value, industry analysis and cash flow, etc. The loan amount does not exceed 75% of the total evaluation price. The interest rates range from 9% to 18% per annum and the loan terms range from 6 months to 12 months. As of 30 June 2023, the balance at the end of the Reporting Period (principal) of the secured loans was RMB206 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in agriculture, beverage, service and other industries. As of 30 June 2023, the total number of customers was 124, and the five largest customers contributed, in aggregate, 42.06% of the balance of secured loans at the end of the Reporting Period (principal).

# MANAGEMENT DISCUSSION AND ANALYSIS

Business risks of guaranteed loans are comprehensively assessed based on the company's operating conditions, financial situation and industry development, etc. The interest rates range from 10% to 18% per annum and the loan terms range from 3 months to 12 months. As of 30 June 2023, the balance at the end of the Reporting Period (principal) of the guaranteed loans was RMB80 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, trade, investment and other industries. As of 30 June 2023, the total number of customers was 31, and the five largest customers contributed, in aggregate, 43.23% of the balance of guaranteed loans at the end of the Reporting Period (principal).

Business risks of credit loans are comprehensively assessed based on the individual's or company's credit status, enterprise operation, asset conditions and solvency, etc. The interest rates range from 8% to 16% per annum and the loan terms range from 3 months to 12 months. As of 30 June 2023, the balance at the end of the Reporting Period (principal) of the credit loans was RMB130 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in trade, gardening, investment and other industries. As of 30 June 2023, the total number of customers was 14, and the five largest customers contributed, in aggregate, 67.40% of the balance of credit loans at the end of the Reporting Period (principal).

As of 30 June 2023, the balance at the end of the Reporting Period (principal) and the interest income of micro-finance business were RMB416 million and RMB20,579 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was the decrease in unwinding interest due to the recovery of certain large loans in stage 3.

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

For the first half of 2023, in order to actively enhance our brand awareness and influence, our Group continued to strengthen the digitization of the micro-finance business and diversify external cooperation. The development direction of micro-finance business in the future is to intensify the service to technology-based and low-carbon SMEs and fulfill the social responsibility of inclusive finance to promote regional economic development on the basis of bringing stable dividends to shareholders.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## (c) Turnover Loan Fund Business

The following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan fund business as of 30 June 2023:

	For the six months ended	
	30 June	
	2023	2022
Total number of new loans granted	<b>453</b>	312
Total new loan amount granted (RMB million)	<b>2,214</b>	1,937
Balance at the end of the Reporting Period (principal) (RMB million)	<b>45</b>	13
Interest income (RMB thousand)	<b>3,856</b>	6,234

The turnover loan fund business mainly relies on Huifang Rongtong as the entity to carry out its business. Huifang Rongtong, established in 2017 with a registered capital of RMB75 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Suzhou Wuzhong Financial Holdings Group Limited\* (蘇州市吳中金融控股有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province. The Company holds 80% of the equity interests of Huifang Rongtong. Such government-enterprise cooperation fund is scarce in Suzhou and even Jiangsu Province.

The turnover loan fund business serves as a bridge between banking institutions and SMEs. It focuses on serving SMEs and local government platforms with the needs of turnover loans. Business risks are comprehensively assessed based on the company's credit status, enterprise operation, financial conditions and bank credit conditions, etc. The interest rates range from 15.2% to 18% per annum and the loan terms range from 1 day to 30 days. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, construction, trade and other industries. As of 30 June 2023, the total number of new loan customers granted was 453, and the five largest customers contributed, in aggregate, 12.24% of the total new loan amount granted.

As of 30 June 2023, the balance of turnover loan fund business at the end of the Reporting Period (principal) was RMB45 million, representing a significant increase as compared with the corresponding period of last year. The main reason was that the turnover loan fund business has the characteristics of short loan terms and high turnover rate, and thus the balance fluctuates greatly. As of 30 June 2023, the interest income of turnover loan fund business was RMB3,856 thousand, representing a significant decrease as compared with the corresponding period of last year. The main reason was that the interest income of existing loans recovered during the Reporting Period decreased compared with the corresponding period of last year.

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

For the first half of 2023, the turnover loan fund business continued to take advantage of the opportunity of joining the Suzhou municipal-level turnover loan service platform to expand its brand influence and its market share. The development direction of turnover loan fund business in the future is to act as a bridge between banks and SMEs, actively mobilize resources from all parties and achieve full coverage of qualified SMEs with turnover loan needs in Suzhou Wuzhong District and even Suzhou under the guidance of the municipal-level turnover loan service platform.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## (d) Art Investment Business

The following table sets out the operating information of the art investment business as of 30 June 2023:

	For the six months ended 30 June	
	2023	2022
Total transaction number of new artworks	6	4
Total transaction amount of new artworks (RMB million)	68	54
Total amount of artworks trading stock at the end of the Reporting Period (RMB million)	148	131
Artworks business income (RMB thousand)	9,502	8,404

The art investment business mainly relies on Nanjing Yiling as the entity to carry out its business. Nanjing Yiling, established in 2021 with a registered capital of RMB55 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Nanjing Yili Culture Development Co., Ltd.\* (南京藝力文化發展有限公司). The Company holds 55% of the equity interests of Nanjing Yiling. Nanjing Yiling conducts artwork investment, artwork custody, artwork disposal and other businesses.

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

As of 30 June 2023, the total amount of artworks trading stock at the end of the Reporting Period and the artworks business income of art investment business were RMB148 million and RMB9,502 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that after the completion of business model validation, the Company deepened its cooperation with major auction houses and effectively expanded the scale of art investment.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2023, the art investment business continued to expand its business scale, and the profit contribution has gradually increased. The development direction of art investment business in the future is to strive to build a comprehensive system that serves the entire art industry, and develop Nanjing Yiling into a well-known comprehensive art service organization in the Mainland China, covering art investment, art appraisal and storage, art auction agency, art exhibition and other services.

## (e) Luxury Sales Business

The following table sets out the operating information of the luxury sales business as of 30 June 2023:

	For the six months ended 30 June	
	2023	2022
Total transaction number	<b>648</b>	175
Sales income (RMB thousand)	<b>7,502</b>	5,129

The luxury sales business mainly relies on Wuzhong Pawnshop and Huirong Culture as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements. Wuzhong Pawnshop is the largest pawnshop in Mainland China and the main sales platform of luxury sales business. Huirong Culture, established in 2022 with a registered capital of RMB1 million, is an indirect wholly-owned subsidiary of the Company.

With the help of the Company's popularity and business experience in the pawnshop industry and on the basis of the original sales of pawn products, the Company built some pawnshops into influential comprehensive luxury service platforms offering luxury pawn, maintenance, recycling and consignment services, integrating financial services and retail. The operation area is mainly in Suzhou. The target customers are mainly luxury retailers and individual consumers.

As of 30 June 2023, the total transaction number and the sales income of luxury goods were 648 and RMB7,502 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the Company opened a store in the shopping mall, resulting in the increase in the natural customer flow.

The main risks and uncertainties faced by luxury sales business include regulatory policy change risk, luxury goods appraisal risk, liquidity risk and luxury market systemic risk, etc.

For the first half of 2023, the Company deepened joint operation of luxury sales business and pawnshop business, and opened a store in the shopping mall to attract young consumers. The development direction of luxury sales business in the future is to conduct multi-dimensional integration of luxury goods and pawnshops and cooperate with foreign well-known vintage brands to create a luxury goods online-to-offline sales platform with the construction of regional live broadcast platform and online shopping mall platform.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1.2 Ecology Finance Business Division

The Ecology Finance Business Division conducts its business through platforms such as Huida Factoring, Huifang Financial Leasing, Huifang Supply Chain, Huifang Rongcui, Huifang Tongcui, Qingdao Wanchen, Suzhou Cibe, Huifang Anda and Sichuan Aomeishu, adhering to the innovation of finance concept. It attaches great importance to the internal and external resources to develop commercial factoring business, financial leasing business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

### (a) Commercial Factoring Business

The following table sets out the operating information of the commercial factoring business as of 30 June 2023:

	For the six months ended 30 June	
	2023	2022
Total number of new transaction relating to account receivables assignment	16	8
Total amount of new transaction relating to account receivables assignment (RMB million)	108	66
Balance at the end of the Reporting Period (principal) (RMB million)	359	304
Interest income (RMB thousand)	15,525	14,435
Service fee income (RMB thousand)	1,882	1,297

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

Huida Factoring is principally engaged in accepting assignment of account receivable from SMEs and installment of account receivables. Commercial factoring business evaluates business risks by comprehensively analyzing enterprise operation, financial conditions, receivables and industry development factors based on customers' credit status. The loan amount does not exceed 80% of the total amount of receivables. The interest rates range from 8.5% to 13% per annum and the loan term is within 5 years. The operation area is mainly in Suzhou. The target customers are mainly distributed in construction, manufacturing and other industries. As of 30 June 2023, the total number of customers was 18, and the five largest customers contributed, in aggregate, 55.81% of the balance at the end of the Reporting Period (principal).

As of 30 June 2023, the balance at the end of the Reporting Period (principal) and the interest income of Huida Factoring were RMB359 million and RMB15,525 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was the expansion of the business scale after the continuous advancement of bank financing.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

For the first half of 2023, the commercial factoring business strengthened the marketing and bank financing, achieving new breakthroughs in scale and performance. The development direction of commercial factoring business in the future is to attach importance to promoting financing in more dimensions, continue to expand the business scale, strengthen digital construction and build a rich and diversified product system.

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

## (b) Financial Leasing Business

The following table sets out the operating information of the financial leasing business as of 30 June 2023:

	For the six months ended	
	30 June	
	2023	2022
Total transaction number of financial leasing	2	—
Total amount of new transaction relating to account receivables assignment (RMB million)	19	—
Balance at the end of the Reporting Period (principal) (RMB million)	19	—
Interest income (RMB thousand)	43	—

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

## MANAGEMENT DISCUSSION AND ANALYSIS

Huifang Financial Leasing primarily offers two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to the customers. Financial leasing business evaluates business risks by comprehensively analyzing customer's industry and reputation, existing debt position, operating cash flows and the projected cash flows to be generated from the lease asset. The interest rate is 12.09% per annum and the lease term is within 3 years. The operation area is mainly in Suzhou. The target customers are mainly distributed in advanced manufacturing and other industries. As of 30 June 2023, the total number of customers was 2, and the five largest customers contributed, in aggregate, 100% of the balance at the end of the Reporting Period (principal).

As of 30 June 2023, the balance at the end of the Reporting Period (principal), the interest income and the service fee income of Huifang Financial Leasing were RMB19 million, RMB43 thousand and RMB401 thousand, respectively.

The main risks and uncertainties faced by financial leasing business include credit risk, regulatory policy change risk and lease asset liquidity risk, etc.

For the first half of 2023, Huifang Financial Leasing was established and the team was formed after the Local Financial Supervision and Administration Bureau of Jiangsu Province\* (江蘇省地方金融監督管理局) issued an approval. The development direction of financial leasing business in the future is to support the development and innovation of SMEs and assist in industrial transformation and upgrading in advanced manufacturing, healthcare and public utility industry.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## (c) Supply Chain Management Business

The following table sets out the operating information of the supply chain management business as of 30 June 2023:

	For the six months ended	
	30 June	
	2023	2022
Total transaction number	<b>538</b>	419
Total transaction number of grain and oil	<b>98</b>	109
Total transaction number of fresh produce	<b>314</b>	77
Total transaction number of liquor	<b>109</b>	55
Total transaction number of other goods	<b>17</b>	178
Sales income (RMB thousand)	<b>187,980</b>	178,474
Sales income of grain and oil	<b>116,818</b>	125,571
Sales income of fresh produce	<b>24,284</b>	11,881
Sales income of liquor	<b>905</b>	926
Sales income of other goods	<b>45,973</b>	40,096

The supply chain management business mainly relies on Huifang Supply Chain as the entity to carry out its business. Huifang Supply Chain, established in 2018 with a registered capital of RMB400 million, is an indirect wholly-owned subsidiary of the Company. It was committed to focus on new supply chain scenarios mainly for grain and oil, fresh produce, liquor, mobile terminal and other consumer goods fields. Currently, Huifang Supply Chain has cooperated with ZTE CORPORATION\* (中興通訊股份有限公司), Yihai Kerry Arawana Holdings Co., Ltd\* (益海嘉里金龍魚糧油食品股份有限公司), Luzhou Lao Jiao Co., Ltd\* (瀘州老窖股份有限公司), New Hope Group Co., Ltd\* (新希望集團有限公司) and many other well-known enterprises.

As of 30 June 2023, the total transaction number of supply chain management business and the sales income were 538 and RMB187,980 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the Company focused on high gross profit business and adjusted the business structure of different products.

As of 30 June 2023, there was no billed trade payable of supply chain management business based on invoice date.

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

For the first half of 2023, Huifang Supply Chain actively explored new business scenarios and models in order to make improvements in making profit under controllable risks and value creation. The development direction of supply chain management business in the future is to build its own supply chain Software as a Service ("SaaS") platform, carry out digital financial innovation and expand more product categories.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (d) Equity Investment Business

The following table sets out the operating information of the equity investment business as of 30 June 2023:

	For the six months ended	
	30 June	
	2023	2022
Total transaction number of new investment	3	1
Total transaction amount of new investment (RMB million)	21	9
Balance of investment at the end of the Reporting Period (RMB million)	81	24
Investment income (RMB thousand)	—	—

The equity investment business mainly relies on Huifang Rongcui and Huifang Tongcui as entities to carry out its business. Huifang Rongcui, established in 2021 with a registered capital of RMB100 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 90% of the equity interests in Huifang Rongcui. Huifang Tongcui, established in 2022 with a registered capital of RMB20 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 60% of the equity interests in Huifang Tongcui. Aiming at creating a business pattern of coordinated development of creditor's rights and equity, the equity investment business cooperates with senior equity investment institutions based on national policy guidance. Investment areas mainly cover advanced manufacturing, semiconductor, new energy, biomedicine and other strategic emerging industries.

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

As of 30 June 2023, Huifang Rongcui cooperated with six senior equity investment institutions, intended investment being RMB75 million, with actual investment of RMB68 million. These include (i) RMB10 million of planned investment in Suzhou Qianhui Xinli Venture Investment Partnership (LP)\* (蘇州乾匯信立創業投資合夥企業(有限合夥)) (fund management being Suzhou Qianhui Zhitou Investment Management Co., Ltd.\* (蘇州乾匯智投資本管理有限公司) ("Qianhui Investment")), with actual investment of RMB10 million; (ii) RMB10 million of planned investment in Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP)\* (蘇州中鑫恆遠創業投資合夥企業(有限合夥)) ("Zhongxin Hengyuan") (fund management being Suzhou Zhongxin Innovation Investment Management Co., Ltd.\* (蘇州中鑫創新投資管理有限公司)), with actual investment of RMB8 million; (iii) RMB20 million of planned investment in Suzhou Qianrong Yuanfeng Venture Capital Partnership (LP)\* (蘇州乾融園豐創業投資合夥企業(有限合夥)) ("Qianrong Yuanfeng") (fund management being Jiangsu Qianrong Capital Management Co., Ltd.\* (江蘇乾融資本管理有限公司)), with actual investment of RMB20 million; (iv) RMB20 million of planned investment in Suzhou Wuzhong Tiankai Huirui Venture Capital Partnership (LP)\* (蘇州吳中天凱匯瑞創業投資合夥企業(有限合夥)) ("Tiankai Huirui") (fund management being Suzhou Wuzhong Financial Holdings Investment Management Co., Ltd.\* (蘇州市吳中金控股權投資管理有限公司)), with actual investment of RMB20 million; (v) RMB10 million of planned investment in Suzhou Kangli Junzhuo Digital Economy Industry Investment Fund Partnership (LP)\* (蘇州康力君卓數字經濟產業投資基金合夥企業(有限合夥)) ("Kangli Junzhuo") (fund management being Suzhou Junzhuo Venture Capital Management Co., Ltd.\* (蘇州君卓創業投資管理有限公司)), with actual investment of RMB5 million; (vi) RMB5 million of planned investment in Suzhou Anxin Tongying Venture Capital Partnership (LP)\* (蘇州安芯同盈創業投資合夥企業(有限合夥)) (fund management being Suzhou Anjie Private Fund Management Partnership (LP)\* (蘇州安潔私募基金管理合夥企業(有限合夥))), with actual investment of RMB5 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, Huifang Tongcui has reached a cooperation intention with Qianhui Investment, and set up Suzhou Qianhui Tongcui Venture Capital Partnership (LP)\* (蘇州乾匯同萃創業投資合夥企業(有限合夥)) (“Qianhui Tongcui”) in a double general partners (“Double GP”) cooperation model. Huifang Tongcui and Qianhui Investment act as executive partners to Qianhui Tongcui, and Qianhui Investment acts as a manager to Qianhui Tongcui. The planned assets under management of Qianhui Tongcui is approximately RMB200 million and the subscribed assets under management of Qianhui Tongcui is RMB52 million. The investment period is 7 years. As of 30 June 2023, Huifang Tongcui intended to invest RMB20 million in Qianhui Tongcui and the actual investment was RMB10 million.

The development direction of equity investment business in the future is to further strengthen the cooperation with senior equity investment institutions, accelerate the implementation of the Double GP cooperation mode, participate in equity investment projects directly or indirectly, and build an equity investment platform with good development prospects and high investment return.

## (e) Special Asset Investment Business

The following table sets out the operating information of the special asset investment business as of 30 June 2023:

	For the six months ended 30 June	
	2023	2022
Total transaction number of new investment	—	2
Total transaction amount of new investment (RMB million)	—	16
Balance of investment at the end of the Reporting Period (RMB million)	7	32
Investment income (RMB thousand)	2,456	—

The special asset investment business mainly relies on Qingdao Wanchen and Suzhou Cibe as entities to carry out its business. Qingdao Wanchen, established in 2019 with a registered capital of RMB10 million, is an indirect wholly-owned subsidiary of the Company. Suzhou Cibe, established in 2021 with a registered capital of RMB50 million, is a special asset investment fund established by the Company in cooperation with external asset management institutions. The Company holds 90% of the equity interests as a limited partner.

Special asset investment business makes full use of the Company's industry position and resources of licensed asset management companies and banks to carry out special asset acquisition, disposal and operation. Special asset investment business mainly targets potential special assets such as residential real estate, commercial real estate and industrial real estate, as well as unsecured credit debts.

As of 30 June 2023, the balance of investment at the end of the Reporting Period and the investment income were RMB7 million and RMB2,456 thousand, respectively, representing a decrease in balance and an increase in investment income as compared with the corresponding period of last year. The main reason was that the funds were recovered after the disposal of certain investment projects and the benefits of such investment are gradually emerging.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2023, the special asset investment business expanded its business team and focused on seeking investment opportunities in large projects. The development direction of special asset investment business in the future is to actively participate in the Jiangsu special asset transfer market, find potential projects, dispose of debts by means of bankruptcy and pre-restructuring, and build a deep cooperation network between the upstream asset, the middle capital and the downstream disposal.

## (f) Insurance Brokerage Business

The following table sets out the operating information of the insurance brokerage business as of 30 June 2023:

	For the six months ended 30 June	
	2023	2022
Total transaction number	182	174
Sales income (RMB thousand)	415	341

The insurance brokerage business mainly relies on Huifang Anda as the entity to carry out its business. Huifang Anda, established in 2004 with a registered capital of RMB2.4 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and state-owned capital Suzhou Wuzhong Financial Investment Service Co., Ltd\* (蘇州市吳中金融招商服務有限公司) and other institutions. The Company holds 65% of the equity interests of Huifang Anda.

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

As of 30 June 2023, the total transaction number and sales income of insurance brokerage business transactions were 182 and RMB415 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the Company attached importance to external customers, strengthened internal integration, and increased its product categories.

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

For the first half of 2023, the insurance brokerage business strengthened internal integration, external cooperation and actively developed innovative insurance products. The development direction of insurance brokerage business in the future is to implement new coinsurance cooperation, introduce agent teams with market competitiveness and further explore the life insurance agency business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1.3 Headquarters and Others

As the incubator of the Company's innovative business, the headquarters has the function of cultivating innovative business of the Company through different stages. The overseas finance business is an attempt of the Company's global development and is currently under the direct management of the headquarters. The following table sets out the operating information of the overseas finance business as of 30 June 2023:

	For the six months ended 30 June	
	2023	2022
Total number of new loan granted	1	—
Total new loan amount granted (HK\$ million)	20	—
Balance at the end of the Reporting Period (principal) (HK\$ million)	26	26
Interest income (HK\$ thousand)	754	754

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

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

As of 30 June 2023, the balance at the end of the Reporting Period (principal) and the interest income of overseas finance business were HK\$26 million and HK\$754 thousand, respectively, representing the same amount as the corresponding period of last year.

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

For the first half of 2023, given the multiple interest rate hikes approved by the Federal Reserve, the overseas financing costs increased, which affected the expansion of our overseas finance business, resulting in no significant change in business performance during the Reporting Period. The development direction of overseas finance business in the future is to seek for development opportunities in the fields of pawnshops and digital assets in more overseas countries and regions such as Macau and Singapore.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. FINANCIAL REVIEW

### 2.1 Overall Financial Data

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Operating Results</b>		
Operating income	<b>317,157</b>	305,419
Net operating income	<b>83,939</b>	73,650
Net assets	<b>2,140,987</b>	2,075,674
General and administrative expenses	<b>39,774</b>	34,514
Income tax expense	<b>10,721</b>	12,399
Profit attributable to owners of the Company	<b>27,619</b>	18,149
Basic earnings per share (RMB)	<b>0.025</b>	0.017

As of 30 June 2023, the operating income amounted to RMB317,157 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the increase in the sales of goods and the interest income. As of 30 June 2023, the profit attributable to owners of the Company amounted to RMB27,619 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the increase in the scale of money lending business and investment business, the progress made in the existing loans recovered, and the increase in the fair value of trading financial assets.

### 2.2 Financial Analysis on Two Principal Business Divisions

#### 2.2.1 Inclusive Finance Business Division

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Operating income	<b>106,039</b>	105,616
Operating cost	<b>(8,138)</b>	(7,101)
Other non-operating losses	<b>(55,957)</b>	(45,818)
Profit before tax	<b>41,944</b>	52,697

Guided by supporting the development of inclusive finance, the Inclusive Finance Division insists on upholding inheritance and innovation, pioneering and enterprising, and engages in pawnshop business, micro-finance business, turnover loan fund business, art investment business and luxury sales business.

# MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2023, the operating income amounted to RMB106,039 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the expansion in the scale of the pawnshop business and the micro-finance business, and the increase in the operating income generated from the art investment business. As of 30 June 2023, the profit before tax amounted to RMB41,944 thousand, representing a decrease as compared with the corresponding period of last year. This was mainly due to the increase in the credit impairment losses.

## 2.2.2 Ecology Finance Business Division

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Operating income	<b>206,202</b>	194,352
Operating cost	<b>(193,174)</b>	(182,172)
Other non-operating losses	<b>(616)</b>	(5,351)
Profit before tax	<b>12,412</b>	6,829

The Ecology Finance Business Division focuses on cultivating new business and integrating financial resources, so as to comply with industry trends and seek breakthroughs in performance. It engages in commercial factoring business, financial leasing business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

As of 30 June 2023, the operating income amounted to RMB206,202 thousand, representing an increase as compared with the corresponding period of last year. The main reason was the increase in revenue generated from the commercial factoring business, the financial leasing business, the supply chain management business and special assets investment business. As of 30 June 2023, the profit before tax amounted to RMB12,412 thousand, representing a significant increase as compared with the corresponding period of last year. The main reason was the increase in revenue attributed to the factors set out above.

## 2.2.3 Headquarters and Others

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Operating income	<b>11,690</b>	11,910
Operating cost	<b>(8,882)</b>	(8,623)
Other non-operating loss	<b>(9,916)</b>	(21,922)
Loss before tax	<b>(7,108)</b>	(18,635)

# MANAGEMENT DISCUSSION AND ANALYSIS

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

As of 30 June 2023, the operating income amounted to RMB11,690 thousand, representing a slight decline as compared with the corresponding period of last year. As of 30 June 2023, the loss before tax was RMB7,108 thousand, representing a decrease as compared with the corresponding period of last year. The main reason was the increase in the lease income generated from Zhonghui Financial Building and the increase in the income from changes in fair value of stocks.

## 3. CREDIT RISK

### 3.1 Loan Classification and Impairment Allowances

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

	As at 30 June 2023				As at
	ECL staging				31 December
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Loans to customers</b>					
Secured loans to customers (note (a))	837,131	11,900	803,954	1,652,985	1,617,499
Unsecured loans to customers (note (b))	960,080	35,309	224,011	1,219,400	1,205,415
<b>Gross carrying amount</b>	<b>1,797,211</b>	<b>47,209</b>	<b>1,027,965</b>	<b>2,872,385</b>	2,822,914
ECL allowances	(39,017)	(11,724)	(701,411)	(752,152)	(715,859)
<b>Carrying amount</b>	<b>1,758,194</b>	<b>35,485</b>	<b>326,554</b>	<b>2,120,233</b>	2,107,055

# MANAGEMENT DISCUSSION AND ANALYSIS

	As at 30 June 2023				As at 31 December 2022
	ECL staging			Total RMB'000	Total RMB'000
Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000			
<b>Term deposits with banks</b>					
<b>Credit grade</b>					
AAA	52,240	—	—	52,240	110,240
<b>Gross carrying amount</b>	52,240	—	—	52,240	110,240
ECL allowances	(164)	—	—	(164)	(164)
<b>Carrying amount</b>	52,076	—	—	52,076	110,076
<b>Other current assets (excluding repossessed assets)</b>					
<b>Gross carrying amount</b>	34,752	—	—	34,752	18,342
ECL allowances	(1,141)	—	—	(1,141)	(1,141)
<b>Carrying amount</b>	33,611	—	—	33,611	17,201

Notes:

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

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group may suffer credit losses if its customers default on contractual obligations. As at 30 June 2023, the impairment allowance (including the provision of loss allowance and the write-off) for loans to customers granted by the Group was as follows:

	<b>As at 30 June 2023 RMB'000</b>	As at 31 December 2022 RMB'000
<b>Secured loans to customers</b> (note (a))		
Stages 1 & 2	<b>13,179</b>	12,065
Stage 3	<b>488,545</b>	479,678
Subtotal	<b>501,724</b>	491,743
<b>Unsecured loans to customers</b> (note (b))		
Stages 1 & 2	<b>37,562</b>	34,037
Stage 3	<b>212,866</b>	190,079
Subtotal	<b>250,428</b>	224,116
ECL allowances, total	<b>752,152</b>	715,859
Stages 1 & 2	<b>50,741</b>	46,102
Stage 3	<b>701,411</b>	669,757

Notes:

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

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

As at 30 June 2023, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB752,152 thousand, representing approximately 26.19% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB36,293 thousand as compared with the end of last year.

For loans to customers in Stages 1 & 2, the impairment allowance was determined by projecting the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") for every six months and for each individual exposure or collective segment, based on historical data. The increase of the impairment allowance in Stages 1 & 2 during the Reporting Period was mainly due to the increase of the gross carrying amount of loans to customers in Stages 1 & 2 during the Reporting Period as compared with the end of last year.

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

For secured loans, the discounted cash flow is primarily dependant on the type of collaterals, their appraised value and estimated time for disposal. The impairment allowance for secured loans increased during the Reporting Period, mainly due to an extension of estimated time for disposal because of external factors.

# MANAGEMENT DISCUSSION AND ANALYSIS

For unsecured loans, the discounted cash flow depends on the customer's financial and operating conditions, as well as their own properties preserved by the Group. The impairment allowance for unsecured loans increased during the Reporting Period, mainly due to an update of the impairment allowance based on supporting documents such as the customer's bankruptcy or insolvency plans.

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

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

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

## 3.2 New Loans under Legal Proceedings

	For the six months ended 30 June	
	2023	2022
<b>New Secured Loans</b>		
Number of clients	35	33
Outstanding loans (RMB thousand)	31,460	59,130
<b>New Unsecured Loans</b>		
Number of clients	—	—
Outstanding loans (RMB thousand)	—	—

For the six months ended 30 June 2023, the balance of new secured loans under legal proceedings was RMB31,460 thousand and there were no new unsecured loans under legal proceedings. There is a decrease of the balance of new secured loans under legal proceedings from the corresponding period of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3.3 Credit Risk Management and Internal Control

### 3.3.1 Credit Risk Management

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

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

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

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

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

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

#### (a) Secured loans

##### Granting of loans

Secured loans are granted by taking into account the collateral to be provided and the customer's cash flows and solvency position. Credit risks of customers are comprehensively assessed based on multiple factors, such as value of the collateral given, the customer's credit record, the customer's solvency and an analysis on the customer's industry and prospect.

##### Renewal of loans

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Ongoing credit risk assessment

**Assessment of the customer:** In addition to the credit risk analysis conducted upon granting of loans, periodic credit risk assessment on the customer will be conducted based on various other factors, including credit record, source of repayments (including a review conducted on a corporate customer's (or its controlling entity's) revenue, assets and liabilities, and the available assets of an individual customer), anti-fraud inquiries and marital status of the customer.

**Assessment of the collateral:** Assessment on the collateral will be focused upon (i) authenticity and legitimacy; and (ii) value of the collateral. Authenticity and legitimacy will be reviewed by perusing the relevant documents as mentioned in the paragraph headed "Documents reviewed" below. Value is assessed based on any appraised value issued by appraisal institutions, and the ability to realise the value of the asset, taking into account the nature, location, age and size (in case of a property) of the asset.

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

## Documents reviewed

In the process of credit risk assessment of customers, the Group will obtain and review both the customer's credit report issued by the People's Bank of China, the anti-fraud assessment report issued by third-party assessment agency and collateral assessment report issued by third-party assessment agency, respectively. The Group will also obtain and review the identity card or the business licence to verify the customer's identity and require all documents to be signed by the customer as borrower.

Where fixed assets collaterals are involved, to mitigate operational risks, the document review process also entails verification of the authenticity of the contract and the validity of the mortgage. For example, for loans with real estate collaterals, the Group will obtain and review title documents and relevant contracts to ensure the validity of the mortgage.

## (b) Unsecured loans

### Granting of loans

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

In addition, a comprehensive pre-loan investigation report on the customer will be prepared by the business department for review by the loan examination department, which includes the following information:

- the basic information of the customer;
- the key financial information of the corporate customer and its operational data, including:
  - analysis on medium and long-term solvency, such as gearing ratio, current ratio and cash ratio;
  - analysis on corporate profitability, such as operating profit margin and net profit ratio;
  - non-financial indicators, such as electricity consumption, water consumption and salary payment; and
- the information of the guarantor (if any), including the guarantor's assets and ability to provide such guarantee and factors analogous to an examination of the financial information of the borrower customer.

## Ongoing credit risk assessment

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

## Documents reviewed

In the process of credit risk assessment, the Group will obtain and review the customer's credit report issued by the People's Bank of China and anti-fraud assessment report issued by third-party assessment agency, respectively.

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3.3.1.2 Turnover loan funds business

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

The Group mainly relies on Huifang Rongtong as the legal entity to carry out its business in turnover loan fund, which is a turnover loan funds business (轉貸基金) approved, guided and supervised by the Suzhou Wuzhong People's Government. It cooperates with banks that have branches in Wuzhong District of Suzhou and provides short-term loan funds to SMEs that (i) meet bank credit requirements, given their track record of repayment and credit risks have already been assessed by the banks previously; and (ii) experience difficulties in repaying their previous loan amount in full for its renewal. The process of this business will normally be kick-started by the SMEs (some of them are referred by cooperation banks of the Group) by first applying to the Group for turnover loan funds, after which, the Group will conduct due diligence on the SMEs, and will provide funds to them according to the conditions and amount of loans confirmed by the cooperation banks to the Group.

Funds are advanced/granted to SMEs in the turnover loan funds business. The source of the funds of the Group mainly comes from the paid-up registered capital in the amount of RMB75 million of Huifang Rongtong and interest income generated from this business. After the Group enters into loan agreements with the SMEs, the Group will remit the funds to the turnover repayment account of the SMEs that meets the bank's management requirements. Upon the previous loans with the cooperation bank being settled, the cooperation bank lends new loan to the SMEs, and transfers the amount of the turnover loan funds advanced/granted by the Group (together with interest accrued thereon) to a turnover loan special account or a designated entrusted account of the Group that meets the bank's management requirements, which will be regarded as a repayment of the turnover loan funds by the SMEs to the Group.

### Granting of loans

In order to qualify for grant of a loan under this business unit, the SME must go through the credit review process and satisfy the borrower qualifications of the lending bank, which involves assessment of credit, financial resources and operational data etc.

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

The amount of each turnover loan shall not exceed RMB20 million.

The credit risks borne by the Group in this business include the risks of:

- (i) the changes in loan renewal conditions of the banks;
- (ii) the SMEs not meeting the conditions for loan renewal;

# MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) the SMEs changing the use of loan funds for other purposes instead of repayment of the current loan; and
- (iv) overdue repayment of funds by the SMEs to the Group.

## Ongoing credit risk assessment

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

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

## Documents reviewed

In the process of credit risk assessment, the Group will obtain and review the basic information of the SMEs, such as the business licence, financial statements etc. Meanwhile, the Group will obtain feedback of the application forms and business contact sheets from banks before the granting of loans.

### 3.3.1.3 Commercial factoring business

#### Grant of factoring

To manage the commercial factoring business unit, the Group has formulated a set of internal measures detailing the criteria and credit risk assessments for both the customer and the relevant debtor, specific provisions for review and approval, the process for transfer of account receivables and post-financing management. Credit risk control, credit limits and interest rates will be determined based on the results of the assessment.

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Credit risk assessment

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

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

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

## Documents reviewed

For commercial factoring, the Group collects information and documents in relation to the payment and the ledger management of account receivables. The Group will verify the account receivables and confirm the results of account receivables registration, and obtain and review the corporate information of the customer.

Financial reports of the customer will also be collected on a monthly or quarterly basis to review its balance sheet, operating income and profitability in an objective manner.

### 3.3.1.4 Financial leasing business

#### Grant of financial leasing

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

The Group usually enters into financial leasing agreements with the customers which sets out major terms such as the leased asset concerned, purchase price of the leased asset, term of the lease, the payment schedule of the lease payments, security deposit (if any), management fee (if any), transfer of title clause and insurance for the leased asset.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Ongoing credit risk assessment

Periodic review is conducted on business status, solvency position, credit status, and changes in debt situation of the lessee. If the lessee fails to pay any installment of rent, or fails to perform any of its obligations under the finance leasing agreement, the Group shall have the right to demand prompt payment in full or part of the lease receivables, or immediately and unilaterally dispose of such leased assets.

## Documents reviewed

In the process of credit risk assessment, the Group will obtain and review the customer's credit report issued by the People's Bank of China and value assessment report issued by third-party assessment agency, respectively.

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

Financial reports of the customer will also be collected on a monthly or quarterly basis to review its balance sheet, operating income and profitability in an objective manner.

## 3.3.2 Internal Control

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. BORROWINGS

	<b>As at 30 June 2023 RMB'000</b>	As at 31 December 2022 RMB'000
<b>Non-current</b>		
Bank borrowing (note (a))	<b>193,000</b>	197,000
<b>Current</b>		
Bank borrowings (note (b))	<b>328,897</b>	402,128
Borrowings from other companies (note (c))	<b>52,000</b>	52,000
Borrowings from micro-finance companies (note (d))	<b>67,500</b>	45,500
Borrowings from the Group's employees (note (e))	<b>49,750</b>	32,600
	<b>498,147</b>	532,228
	<b>691,147</b>	729,228

The Group's borrowings are all denominated in RMB.

Notes:

- (a) As at 30 June 2023, non-current bank borrowing with principal amount of RMB193.0 million (31 December 2022: RMB197.0 million) is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building. It is repaid in scheduled instalments within 12 years and bears floating interest rate of the 5-year Loan Prime Rate of the People's Bank of the PRC minus 35 basis points. The borrowing is secured by the Zhonghui Financial Building (31 December 2022: same).

As at 30 June 2023, there are no undrawn bank borrowing facilities (31 December 2022: same).

- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.1% to 5.2% per annum as at 30 June 2023 (31 December 2022: fixed rate from 3.4% to 5.2% per annum).

As at 30 June 2023, bank borrowings with principal amount of RMB50.0 million (31 December 2022: RMB105.0 million) are secured by restricted term deposits of RMB52.1 million (31 December 2022: RMB110.1 million).

As at 30 June 2023, bank borrowings with principal amount of RMB20.0 million (31 December 2022: RMB49.5 million) are secured by structured deposits of RMB20.0 million (31 December 2022: RMB49.5 million).

As at 30 June 2023, bank borrowings with principal amount of RMB90.0 million (31 December 2022: RMB100.0 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders.

As at 30 June 2023, bank borrowings with principal amount of RMB10.0 million (31 December 2022: nil) are guaranteed by Wuzhong Jiaye.

As at 30 June 2023, bank borrowings with principal amount of RMB20.0 million (31 December 2022: RMB30.0 million) are guaranteed by Wuzhong Group.

As at 30 June 2023, bank borrowings with principal amount of RMB30.0 million (31 December 2022: RMB30.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. and counter-guaranteed by Wuzhou Group and its two subsidiaries.

# MANAGEMENT DISCUSSION AND ANALYSIS

- (c) As at 30 June 2023, borrowings from other companies bear a fixed interest rate of 9.0% per annum (31 December 2022: 9.0% per annum).
- (d) As at 30 June 2023, borrowings from micro-finance companies with principal amount of RMB52.5 million (31 December 2022: RMB9.5 million) are guaranteed by Wuzhong Jiaye.
- (e) As at 30 June 2023, borrowings from the Group's employees bear a fixed interest rate ranging from 7.8% to 8.0% per annum (31 December 2022: of 8.0% per annum).

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

As at 30 June 2023, the gearing ratio of the Group was 17.63%. The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings net of cash and cash equivalents. Total capital is calculated as "total equity" as shown in the interim condensed consolidated statement of financial position plus net debt. The Group's strategy is to maintain a gearing ratio below 50% and to meet the compliance requirements of Wuzhong Pawnshop on aggregate amount of loans to customers at all times.

For the six months ended 30 June 2023, the Group did not use any financial instruments for hedging purposes.

## 5. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of property, plant and equipment, intangible assets and investment properties. Our capital expenditure was RMB14,190 thousand for the six months ended 30 June 2023, as compared to RMB9,088 thousand for the corresponding period of last year.

## 6. EXPOSURE TO FOREIGN EXCHANGE RISK

For the six months ended 30 June 2023, the net foreign currency gains of the Group were RMB880 thousand, representing a decrease as compared to the net foreign currency gains of RMB1,755 thousand for the corresponding period of last year. The Group is free from material foreign exchange risk and does not conduct any related hedging as it concludes deals in RMB.

## 7. PLEDGE OF ASSETS

As at 30 June 2023, land-use rights and investment properties totalling of RMB203.4 million (31 December 2022: RMB203.5 million) of the Group are pledged with banks to secure the Group's borrowings with principal amount of RMB193.0 million (31 December 2022: RMB197.0 million).

As at 30 June 2023, structured deposits with principal amount of RMB20.0 million (31 December 2022: RMB49.5 million) of the Group are pledged with banks to secure the Group's borrowings with principal amount of RMB20.0 million (31 December 2022: RMB49.5 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, bank borrowings with principal amount of RMB50.0 million (31 December 2022: RMB105.0 million) are secured by restricted term deposits of RMB52.1 million (31 December 2022: RMB110.1 million).

Save as disclosed above, during the six months ended 30 June 2023, the Group did not have any pledge of assets.

## 8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

### 8.1 Establishment of Huifang Financial Leasing

Huifang Financial Leasing conducting financial leasing business in the PRC was duly established on 16 May 2023, being the date of issue of the business license, after the Local Financial Supervision and Administration Bureau of Jiangsu Province issued an approval on 8 May 2023 and Huifang Financial Leasing commenced its business operation on 24 May 2023. Huifang Financial Leasing was owned by Huifang Technology, a wholly-owned subsidiary of the Company, Shengzhuang Food and Tianyi Knitwear as to 70%, 20% and 10%, respectively.

Pursuant to a shareholder capital contribution agreement dated 21 February 2023 and entered into among Huifang Technology, Shengzhuang Food and Tianyi Knitwear (as supplemented by the supplemental agreement), the total registered capital of the Huifang Financial Leasing shall be RMB170 million, among which, Huifang Technology, Shengzhuang Food and Tianyi Knitwear shall contribute RMB119 million, RMB34 million and RMB17 million in cash, respectively.

For further details of the above-mentioned transactions, please refer to the announcement of the Company dated 24 May 2023 and the supplemental announcement of the Company dated 31 May 2023.

As at 30 June 2023, the paid-in capital of the Huifang Financial Leasing was RMB100 million, among which, Huifang Technology had paid RMB70 million. With the establishment of Huifang Financial Leasing, the Group will provide financial leasing services to its customers, which will be supervised by the Ecology Finance Business Division of the Group. The strategy of the Group is to leverage the corporate customer resources accumulated by the Group over the years to serve the development of the real economy and provide personalized financial leasing services for the industrial upgrading of SMEs.

As at 30 June 2023, the fair value of each of the abovementioned investments represented less than 5% of the total assets of the Group. As at 30 June 2023, the Group did not hold significant investments in the equity interests of any other companies. The Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

### 9.1 Contingencies

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: same).

### 9.2 Commitments

#### (a) Capital commitments

Name of investee company	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Suzhou Cibe (note (a))	20,495	20,495
Qianhui Tongcui (note (b))	10,000	10,000
Tiankai Huirui (note (c))	—	10,000
Kangli Junzhuo (note (d))	5,000	8,000
Qianrong Yuanfeng (note (e))	—	8,000
Zhongxin Hengyuan (note (f))	2,000	2,000
	<b>37,495</b>	58,495

Notes:

- (a) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB20.5 million (31 December 2022: RMB20.5 million) has not been paid by the Group as at 30 June 2023.
- (b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million (31 December 2022: RMB10.0 million) has not been paid by the Group as at 30 June 2023.
- (c) The committed investment injection to Tiankai Huirui is RMB20.0 million, all of which have been paid by the Group as at 30 June 2023 (31 December 2022: of which RMB10.0 million has not been paid by the Group).
- (d) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB5.0 million (31 December 2022: RMB8.0 million) has not been paid by the Group as at 30 June 2023.
- (e) The committed investment injection to Qianrong Yuanfeng is RMB20.0 million, all of which have been paid by the Group as at 30 June 2023 (31 December 2022: of which RMB8.0 million has not been paid by the Group).
- (f) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million (31 December 2022: RMB2.0 million) has not been paid by the Group as at 30 June 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 9.3 Cash Usage Analysis

As at 30 June 2023, the Group's cash and cash equivalents amounted to RMB232,811 thousand, representing an increase of RMB36,006 thousand as compared to the end of last year. The following table sets forth a summary of our cash flows for the indicated periods:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Net cash inflow/(outflow) from operating activities	44,834	(18,947)
Net cash inflow/(outflow) from investing activities	13,942	(26,907)
Net cash outflow from financing activities	(22,876)	(1,399)
Net increase/(decrease) in cash and cash equivalents	35,900	(47,253)
Effects of foreign exchange rate changes on cash and cash equivalents	106	934

### Net Cash Flow from Operating Activities

During the Reporting Period, net cash inflow from operating activities amounted to RMB44,834 thousand, mainly due to the optimization of product structure and the improvement of business performance.

### Net Cash Flow from Investing Activities

During the Reporting Period, net cash inflow from investing activities amounted to RMB13,942 thousand, mainly due to the Group's recovery of funds after the disposal of certain projects of the special assets investment business.

### Net Cash Flow from Financing Activities

During the Reporting Period, net cash outflow from financing activities amounted to RMB22,876 thousand, mainly due to the cash outflow caused by repayment of borrowings of the Group.

## 10. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 30 June 2023, the Group had a total of 150 full-time employees, increasing from 147 as at 31 December 2022. The Company will continue to carry out human resource optimization and adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

For the six months ended 30 June 2023, employee remuneration and benefits decreased by RMB597 thousand to RMB19,300 thousand from the corresponding period last year.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## 11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Save for the capital commitments and events after the Reporting Period disclosed in paragraphs 9.2 and 12 to this interim report, respectively, the Group has no other plans for material investments or acquisition of capital assets. However, the Group will continue to seek new business development opportunities.

## 12. EVENTS AFTER THE REPORTING PERIOD

The Group participated in the restructuring of Guangda Education Technology Development Limited (“Guangda Education”), a company incorporated in the PRC principally engaged in hotel operations, through its cooperation with Suzhou Qingdong Hotel Management Limited (“Suzhou Qingdong”), a company incorporated in the PRC and the previous restructuring investor enlisted by the administrator of the restructuring of Guangda Education (the “Administrator”) as approved by a People’s Court in Suzhou of the PRC. On 17 August 2023, Huifang Dinghe, an indirect wholly-owned subsidiary of the Company, entered into a tripartite agreement with Guangda Education and Suzhou Qingdong to agree that Huifang Dinghe shall act as the restructuring investor in place of Suzhou Qingdong to conduct the acquisition of the entire interest in Guangda Education (the “Acquisition”) from the Administrator at a restructuring investment amount in the amount of RMB196 million and a nominal acquisition consideration in the amount of RMB1.

On the same date, Huifang Supply Chain, another indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with Suzhou Qingdong to agree that (1) Suzhou Qingdong shall pay a cooperation deposit in the amount of RMB50 million to Huifang Supply Chain; and (2) within twelve months of the Acquisition (i.e. from the date of full payment of the aforesaid restructuring investment amount of RMB196 million), Suzhou Qingdong shall acquire the entire equity interest in Huifang Dinghe from Huifang Supply Chain (the “Resale Arrangement”) at a disposal consideration (which includes the settlement of all debts and liabilities incurred by Huifang Dinghe and Huifang Supply Chain as a result of the Acquisition) of approximately exceeding RMB200 million, the best estimate made by the Board up to the issue date of this interim condensed consolidated financial information, in accordance with the cooperation agreement.

The commercial substance of the aforementioned series of transactions is to provide Suzhou Qingdong with the necessary financing for its acquisition of Guangda Education. Following the completion of the Acquisition, the consideration of the Acquisition of RMB196 million is accounted for as financial assets held under the Resale Arrangement, and the difference between the consideration of the Acquisition and the disposal consideration upon the completion of disposal of the entire equity interest in Huifang Dinghe is recognised as interest income during the term of the cooperation agreement using the effective interest method.

In addition, on the same date, Qingdao Wanchen, another indirect wholly-owned subsidiary of the Company, entered into a consultation services agreement with Suzhou Qingdong in relation to the provision of consultation services by Qingdao Wanchen to Suzhou Qingdong in respect of the bankruptcy restructuring of Guangda Education at a consultation fee in the amount of RMB1.5 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

**Inclusive Finance Business Division:** The pawnshop business will actively establish pawnshops in provincial capital cities of the PRC and find more dislocation competition and development opportunities. The movable property backed loans will continue to increase the scale and the number of product types, and will expand inter-industry cooperation. The unsecured loans will explore the equity interest backed loans for listed companies. The art investment business will seek progress while maintaining stability, and will explore new service opportunities and business space for the extension of the industrial chain. The luxury sales business will launch a new attempt at commercial retail space by opening stores in the shopping malls.

**Ecology Finance Business Division:** The commercial factoring business will diversify financing channels, reduce financing costs, and strengthen marketing efforts to expand business scale. The financial leasing business will actively find more high-quality customers and accelerate business launch. The supply chain management business will explore new business scenarios around grain and oil, liquor, and 3C fields, strengthen external cooperation, and diversify financing channels. The equity investment business will continue to maintain the investment rhythm and tap into internal resources. The special asset investment business and the financing advisory business will strengthen the linkage and promote the implementation of key projects. The insurance brokerage business will deepen internal integration, strengthen external cooperation, and actively explore the life insurance agency business.

**Headquarters and Others:** The Company will deepen the refined management and the integration of business and finance. The Company will strengthen the liquidity management and improve the financing capacity. The Company will effectively strengthen risk control and accelerate the recovery of existing loans. The Company will also focus on value creation and strengthen brand building and promotion.

## OTHER INFORMATION

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

The Company and its subsidiaries did not purchase, sell or redeem any of its securities during the six months ended 30 June 2023.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this interim report, no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which a Director or any entity connected with a Director had a material interest, whether directly or indirectly, subsisting during or at the end of the six months ended 30 June 2023.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### (1) Long positions in the shares of the Company

Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Issued Shares (Note 2)
Wu Min	Beneficial owner	Ordinary Shares	1,840,000 (L)	0.17%
Yao Wenjun	Beneficial owner	Ordinary Shares	400,000 (L)	0.04%
Zhang Changsong	Beneficial owner	Ordinary Shares	2,490,000 (L)	0.23%
Zhang Shu	Beneficial owner	Ordinary Shares	600,000 (L)	0.06%

Notes:

- (L) represents long position.
- Based on a total of 1,090,335,000 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had registered an interest or short position 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) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the Shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in the shares of the Company:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares (Note 6)
Xiaolai Investment Co., Ltd	Beneficial owner	Ordinary Shares	260,000,000 (L)	23.85%
Xilai Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.96%
Zhu Tianxiao	Interest in controlled corporation	Ordinary Shares	325,000,000 (L) (Note 2)	29.81%
Baoxiang Investment Co., Ltd	Beneficial owner	Ordinary Shares	84,500,000 (L)	7.75%
Zhang Xiangrong	Interest in controlled corporation	Ordinary Shares	84,500,000 (L) (Note 3)	7.75%
Wonder Capital Co., Ltd	Beneficial owner	Ordinary Shares	71,500,000 (L)	6.56%
Ge Jian	Interest in controlled corporation	Ordinary Shares	71,500,000 (L) (Note 4)	6.56%
Southern Swan Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.96%
Chen Yannan	Beneficial owner	Ordinary Shares	1,200,000 (L)	0.11%
	Interest in controlled corporation	Ordinary Shares	65,000,000 (L) (Note 5)	5.96%

## OTHER INFORMATION

### Notes:

1. (L) represents long position.
2. These Shares represent the 260,000,000 Shares held by Xiaolai Investment Co., Ltd and 65,000,000 Shares held by Xilai Investment Co., Ltd. Each of Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd is 100% beneficially owned by Mr. Zhu Tianxiao. Accordingly, Mr. Zhu Tianxiao is deemed to be interested in all the Shares beneficially owned by Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd under the SFO.
3. These Shares are held by Baoxiang Investment Co., Ltd, which is 100% beneficially owned by Mr. Zhang Xiangrong, and therefore, Mr. Zhang Xiangrong is deemed to be interested in all these Shares under the SFO.
4. These Shares are held by Wonder Capital Co., Ltd, which is 100% beneficially owned by Mr. Ge Jian, and therefore, Mr. Ge Jian is deemed to be interested in all these Shares under the SFO.
5. These Shares are held by Southern Swan Investment Co., Ltd which is 100% beneficially owned by Mr. Chen Yannan, and therefore, Mr. Chen Yannan is deemed to be interested in all these Shares under the SFO.
6. Based on a total of 1,090,335,000 Shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, no person or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed “Directors’ and chief executive’s interests and short positions in shares and underlying shares and debentures” above, had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Save as disclosed above, as at 30 June 2023, none of the Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTION SCHEME

On 26 May 2014, a share option scheme (the “Share Option Scheme”) of the Company was approved and adopted by the shareholders of the Company. The principal terms of the Share Option Scheme, which shall be valid and effective for 10 years from its adoption date and, are summarized below.

### Purpose

The purpose of the Share Option Scheme is to incentivize and reward the eligible participants for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

### Eligible participants

Pursuant to the Share Option Scheme, the Board may offer any employee (whether full-time or part-time) or a director of the Group options to subscribe for shares of the Company.

### Total number of Shares available for issue under the Share Option Scheme

The Group approved on 13 September 2016 to grant share options to enable eligible participants as incentives or rewards for their contribution or potential contribution. The options have a contractual option term of five years which has expired on 12 September 2021. For the six months ended 30 June 2023, no options were granted or agreed to be granted pursuant to the Share Option Scheme.

## OTHER INFORMATION

### (a) 10% limit

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total issued Shares as at the date of adoption of the Share Option Scheme, being 102,523,700 Shares (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and any share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the Shareholders in general meeting, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the refreshed limit.

The Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit to any eligible persons specifically identified by the Board.

### (b) 30% limit

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the Shares of the Company in issue from time to time.

### Maximum entitlement of each eligible person

No option shall be granted to any eligible person under the Share Option Scheme which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Any further grant of options to an eligible person in excess of the 1% limit as mentioned above shall be subject to the approval of the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) abstaining from voting.

### Exercise price

An option may be exercised by the option-holder subject to the preconditions at any time during the option period, being the period which is determined and notified by the Board on the offer date when making an offer to an eligible person and which shall not exceed the period of five (5) years from the offer date of such option. For more details, please refer to the announcement of the Company dated 22 April 2014.

The vesting period and vesting conditions shall be determined by the Board in its absolute discretion.

The exercise price shall be determined by the Board in its absolute discretion but in any event shall be not less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;
- (b) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the 5 trading days immediately preceding the date of offer of grant; and
- (c) the nominal value of the Shares.

## OTHER INFORMATION

### Performance targets and minimum period for which an option must be held

The Board may, when making an offer of the grant of an option, impose and specify in the offer letter any terms and conditions as it may at its absolute discretion think fit, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised.

### Amount payable upon acceptance of option

HK\$1.00 is payable by each eligible person to the Company on acceptance of an offer of option.

### Remaining life of the Share Option Scheme

The Share Option Scheme will expire on 25 May 2024 and no further share options may be granted but the provisions of the Share Option Scheme shall in all other respects remain in force and effect necessary to give effect to the exercise of any share options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

During the Reporting Period, there were no share options granted, exercised, cancelled, lapsed or forfeited. During the Reporting Period, there were no outstanding share options.

As at 1 January 2023 and 30 June 2023, the total number of Shares still available for grant under the Share Option Scheme shall both be 84,902,000 Shares, representing approximately 7.79% of the Company's issued share capital as at the reporting date.

As at 1 January 2023 and 30 June 2023, the number of options available for grant under the Scheme Mandate Limit shall both be 84,902,000 options.

As there were no outstanding share options under the Share Option Scheme, the number of Shares that may be issued in respect of share options granted under all the schemes of the Company during the Reporting Period divided by the weighted average number of the Shares in issue for the Reporting Period is 0%.

## ISSUE OF EQUITY SECURITIES

During the six months ended 30 June 2023, the Company did not issue any equity securities.

## CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

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

## OTHER INFORMATION

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all Directors, and the Directors have confirmed that they had complied with the Model Code during the six months ended 30 June 2023.

### CHANGE IN DIRECTORS' INFORMATION

From 1 January 2023 to the date of this interim report, the changes in the directors' information of the Company are as follows:

Mr. FENG Ke, an independent non-executive Director of the Company, has ceased to be (i) a non-executive director of Guangdong-Hong Kong Greater Bay Area Holdings Limited (粵港灣控股有限公司) (the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01396)) since 1 March 2023; (ii) an executive director of Asian Capital Resources (Holdings) Limited (亞洲資產(控股)有限公司) (the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 08025)) since 3 March 2023; and (iii) an independent director of Aotecar New Energy Technology Co., Ltd. (奧特佳新能源科技股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002239)) since 17 April 2023.

### REVIEW OF INTERIM RESULTS

The accounting information contained in this interim report has not been audited by the independent auditor of the Company. However, the Audit Committee together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2023. The unaudited interim results for the six months ended 30 June 2023 was reviewed with no disagreement by the Audit Committee. In addition, the independent auditor of the Company has reviewed the unaudited interim financial information for the six months ended 30 June 2023 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.

### DIVIDEND

The Board did not recommend an interim dividend for the six months ended 30 June 2023.

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

Hong Kong, 30 August 2023

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



## To the Board of Directors of China Huirong Financial Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 49 to 101, which comprises the interim condensed consolidated statement of financial position of China Huirong Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2023 and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review 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 HKICPA. A review of interim financial information consists of making inquiries, 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 information of the Group is not prepared, in all material respects, in accordance with HKAS 34.

### **RSM Hong Kong**

*Certified Public Accountants*

Hong Kong

30 August 2023

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2023 Unaudited	2022 Unaudited
Interest income	7	<b>128,610</b>	125,126
Sales of goods	8	<b>187,980</b>	178,474
Consultancy fee income	9	<b>109</b>	723
Commission fee income	10	<b>415</b>	1,096
Finance lease income		<b>43</b>	—
<b>Operating income</b>		<b>317,157</b>	305,419
Interest expense	11	<b>(17,192)</b>	(14,618)
Costs of sales	8	<b>(185,782)</b>	(177,099)
<b>Operating cost</b>		<b>(202,974)</b>	(191,717)
Net investment gains/(losses)	12	<b>3,994</b>	(286)
Credit impairment losses	13	<b>(39,453)</b>	(39,966)
Net gains on derecognition of financial assets measured at amortised cost		<b>—</b>	1,911
Other operating income/(expenses)	14	<b>5,215</b>	(1,711)
<b>Net operating income</b>		<b>83,939</b>	73,650
General and administrative expenses	15	<b>(39,774)</b>	(34,514)
Other gains, net	17	<b>949</b>	1,755
<b>Operating profit</b>		<b>45,114</b>	40,891
Share of profit of a joint venture accounted for using the equity method	24	<b>2,134</b>	—
<b>Profit before income tax</b>		<b>47,248</b>	40,891
Income tax expense	18	<b>(10,721)</b>	(12,399)
<b>Profit for the period</b>		<b>36,527</b>	28,492
Profit for the period is attributable to:			
— Owners of the Company		<b>27,619</b>	18,149
— Non-controlling interests		<b>8,908</b>	10,343
		<b>36,527</b>	28,492

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2023 Unaudited	2022 Unaudited
<b>Earnings per share (expressed in RMB)</b>			
— Basic earnings per share	19(a)	<b>0.025</b>	0.017
— Diluted earnings per share	19(b)	<b>0.025</b>	0.017
<b>Other comprehensive income for the period, net of tax</b>		<b>—</b>	<b>—</b>
<b>Total comprehensive income for the period</b>		<b>36,527</b>	28,492
Total comprehensive income for the period is attributable to:			
— Owners of the Company		<b>27,619</b>	18,149
— Non-controlling interests		<b>8,908</b>	10,343
		<b>36,527</b>	28,492

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and equipment	22	54,486	54,682
Right-of-use assets	23	16,029	17,690
Investments accounted for using the equity method	24	8,934	26,005
Investment properties	25	192,969	192,969
Intangible assets	26	770	1,127
Loans to customers	27	272,251	258,969
Finance lease receivables	28	9,404	—
Deferred income tax assets	29	96,400	85,555
Other non-current assets		718	—
<b>Total non-current assets</b>		<b>651,961</b>	636,997
<b>Current assets</b>			
Inventories	30	13,761	2,163
Other current assets	31	55,722	66,127
Commission fee receivables		162	3
Loans to customers	27	1,847,982	1,848,086
Finance lease receivables	28	9,640	—
Financial assets at fair value through profit or loss	32	108,878	122,631
Cash at bank and cash on hand	33	287,205	309,139
<b>Total current assets</b>		<b>2,323,350</b>	2,348,149
<b>Total assets</b>		<b>2,975,311</b>	2,985,146
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	34	8,662	8,662
Share premium	35	604,478	604,478
Other reserves	35	593,122	593,122
Retained earnings		664,724	666,325
		<b>1,870,986</b>	1,872,587
<b>Non-controlling interests</b>		<b>270,001</b>	238,743
<b>Total equity</b>		<b>2,140,987</b>	2,111,330

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

	Note	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	23	<b>2,078</b>	2,597
Borrowings	36	<b>193,000</b>	197,000
Deferred income tax liabilities	29	<b>21,931</b>	18,508
<b>Total non-current liabilities</b>		<b>217,009</b>	218,105
<b>Current liabilities</b>			
Other current liabilities	37	<b>62,250</b>	90,835
Current income tax liabilities		<b>23,907</b>	28,127
Amounts due to related parties	40(c)	<b>633</b>	633
Dividends payable		<b>30,481</b>	1,261
Lease liabilities	23	<b>1,897</b>	2,627
Borrowings	36	<b>498,147</b>	532,228
<b>Total current liabilities</b>		<b>617,315</b>	655,711
<b>Total liabilities</b>		<b>834,324</b>	873,816
<b>Total equity and liabilities</b>		<b>2,975,311</b>	2,985,146

Approved by the Board of Directors on 30 August 2023 and are signed on its behalf by:

**Wu Min**  
Executive Director

**Qiu Wei**  
Executive Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

Unaudited	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other Reserves	Retained earnings	Total		
<b>At 1 January 2022</b>		8,662	604,478	593,122	662,597	1,868,859	224,875	2,093,734
Profit for the period		—	—	—	18,149	18,149	10,343	28,492
<b>Total comprehensive income for the period</b>		—	—	—	18,149	18,149	10,343	28,492
<b>Transactions with owners in their capacity as owners</b>								
Capital movement of non-controlling interests		—	—	—	—	—	900	900
Dividends declared or paid	20	—	—	—	(37,329)	(37,329)	(10,123)	(47,452)
<b>Total transactions with owners in their capacity as owners</b>		—	—	—	(37,329)	(37,329)	(9,223)	(46,552)
<b>At 30 June 2022</b>		8,662	604,478	593,122	643,417	1,849,679	225,995	2,075,674
<b>At 1 January 2023</b>		<b>8,662</b>	<b>604,478</b>	<b>593,122</b>	<b>666,325</b>	<b>1,872,587</b>	<b>238,743</b>	<b>2,111,330</b>
Profit for the period		—	—	—	27,619	27,619	8,908	36,527
<b>Total comprehensive income for the period</b>		—	—	—	27,619	27,619	8,908	36,527
<b>Transactions with owners in their capacity as owners</b>								
Capital movement of non-controlling interests		—	—	—	—	—	32,100	32,100
Dividends declared or paid	20	—	—	—	(29,220)	(29,220)	(13,750)	(42,970)
Others		—	—	—	—	—	4,000	4,000
<b>Total transactions with owners in their capacity as owners</b>		—	—	—	(29,220)	(29,220)	22,350	(6,870)
<b>At 30 June 2023</b>		<b>8,662</b>	<b>604,478</b>	<b>593,122</b>	<b>664,724</b>	<b>1,870,986</b>	<b>270,001</b>	<b>2,140,987</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2023 Unaudited	2022 Unaudited
<b>Cash flows from operating activities</b>			
Cash generated from operating activities		<b>75,281</b>	12,171
Interest received from bank deposits		<b>4,529</b>	4,340
Interest paid		<b>(12,613)</b>	(14,475)
Income tax paid		<b>(22,363)</b>	(20,983)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>44,834</b>	(18,947)
<b>Cash flows from investing activities</b>			
Payments for acquisition of a joint venture	24	—	(13,490)
Return of investment from a joint venture	24	<b>17,071</b>	—
Proceeds from disposal of financial assets at fair value through profit or loss		<b>8,898</b>	—
Payments for property, plant and equipment		<b>(1,067)</b>	(6,334)
Payments for intangible assets		<b>(31)</b>	(101)
Payments for investment property		<b>(13,063)</b>	(6,982)
Dividend from a joint venture	24	<b>2,134</b>	—
<b>Net cash inflow/(outflow) from investing activities</b>		<b>13,942</b>	(26,907)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>392,150</b>	572,920
Repayments of borrowings		<b>(432,000)</b>	(525,000)
Repayments of lease liabilities		<b>(1,376)</b>	(1,350)
Capital movement of non-controlling interests		<b>32,100</b>	900
Dividends paid to owners of the Company		—	(37,329)
Dividends paid to non-controlling interests		<b>(13,750)</b>	(11,540)
<b>Net cash outflow from financing activities</b>		<b>(22,876)</b>	(1,399)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>35,900</b>	(47,253)
Cash and cash equivalents at beginning of the period		<b>196,805</b>	234,781
Effects of foreign exchange rate changes on cash and cash equivalents		<b>106</b>	934
<b>Cash and cash equivalents at end of the period</b>	33	<b>232,811</b>	188,462

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in lending services through granting secured and unsecured loans to customers in the People’s Republic of China (the “PRC”). The detailed information of the subsidiaries of the Company can be found in note 21.

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

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 and has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcement made by the Company during the six months ended 30 June 2023.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the consolidated financial statements for the year ended 31 December 2022.

### 3.1 New and amended standards adopted by the Group

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

## 5. FINANCIAL RISK MANAGEMENT

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

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

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

The interim condensed consolidated financial information does not include financial risk management information and disclosures required in the annual consolidated financial statements, except for a few credit risk disclosures to enhance the readers' understanding of the Group's credit exposure, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

There have been no significant changes in the risk management policies since 31 December 2022.

### 5.1 Financial risk factors

#### (a) Credit risk

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

The inputs, assumptions and estimation techniques used in measuring the expected credit loss ("ECL") allowances and the forward-looking information incorporated in the ECL models are consistent with those adopted in 2022.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (Continued)

#### (a) Credit risk (Continued)

##### (i) Credit risk exposure

Demand deposits with banks placed in renowned or high credit-rated financial institutions are considered to be of low credit risk as they have an investment credit rating with at least one major agency. No impairment had been provided under 12-month ECL assessment. For finance lease receivables, management considers they do not have significant credit risk due to the past payment history and also taking into account of their sound financial performance and financial position to meet contractual cash flow obligations in the near term. No impairment had been provided under 12-month ECL assessment.

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

Unaudited	As at 30 June 2023 ECL staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loans to customers</b>				
Secured loans to customers (note (a))	837,131	11,900	803,954	1,652,985
Unsecured loans to customers (note (b))	960,080	35,309	224,011	1,219,400
<b>Gross carrying amount</b>	<b>1,797,211</b>	<b>47,209</b>	<b>1,027,965</b>	<b>2,872,385</b>
ECL allowances	(39,017)	(11,724)	(701,411)	(752,152)
<b>Carrying amount</b>	<b>1,758,194</b>	<b>35,485</b>	<b>326,554</b>	<b>2,120,233</b>
<b>Term deposits with banks</b>				
<b>Credit grade</b>				
AAA	52,240	—	—	52,240
<b>Gross carrying amount</b>	<b>52,240</b>	<b>—</b>	<b>—</b>	<b>52,240</b>
ECL allowances	(164)	—	—	(164)
<b>Carrying amount</b>	<b>52,076</b>	<b>—</b>	<b>—</b>	<b>52,076</b>
<b>Other current assets (excluding repossessed assets)</b>				
<b>Gross carrying amount</b>	<b>34,752</b>	<b>—</b>	<b>—</b>	<b>34,752</b>
ECL allowances	(1,141)	—	—	(1,141)
<b>Carrying amount</b>	<b>33,611</b>	<b>—</b>	<b>—</b>	<b>33,611</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (Continued)

#### (a) Credit risk (Continued)

#### (i) Credit risk exposure (Continued)

Audited	As at 31 December 2022 ECL staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loans to customers</b>				
Secured loans to customers (note (a))	800,972	11,057	805,470	1,617,499
Unsecured loans to customers (note (b))	983,187	24,516	197,712	1,205,415
<b>Gross carrying amount</b>				
ECL allowances	1,784,159	35,573	1,003,182	2,822,914
	(35,651)	(10,451)	(669,757)	(715,859)
<b>Carrying amount</b>				
	1,748,508	25,122	333,425	2,107,055
<b>Term deposits with banks</b>				
<b>Credit grade</b>				
AAA	110,240	—	—	110,240
<b>Gross carrying amount</b>				
ECL allowances	110,240	—	—	110,240
	(164)	—	—	(164)
<b>Carrying amount</b>				
	110,076	—	—	110,076
<b>Other current assets (excluding repossessed assets)</b>				
<b>Gross carrying amount</b>				
ECL allowances	18,342	—	—	18,342
	(1,141)	—	—	(1,141)
<b>Carrying amount</b>				
	17,201	—	—	17,201

Notes:

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (Continued)

#### (a) Credit risk (Continued)

##### (i) Credit risk exposure (Continued)

The following table contains an analysis of credit risk exposure of financial assets at fair value through profit or loss:

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Structured deposits	<b>20,619</b>	50,502
Private equity investments	<b>80,745</b>	59,764
	<b>101,364</b>	110,266

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

The Group maintains a diversified client base. The gross carrying amount from the top five customers accounted for 25.3% of the total gross carrying amount as at 30 June 2023 (31 December 2022: 24.7%). Interest income from the top five customers accounted for 18.5% of total interest income for the six months ended 30 June 2023 (2022: 17.8%).

##### (iii) Collateral and other credit enhancement

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for loans granted. The Group's internal policies on the acceptability of specific classes of collateral or credit risk mitigation are consistent with those adopted in 2022.

### 5.2 Fair value measurement of financial instruments

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

#### (a) Fair value hierarchy

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Fair value measurement of financial instruments (Continued)

#### (a) Fair value hierarchy (Continued)

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value as at 30 June 2023 and 2022 on a recurring basis:

Unaudited	Level 1	Level 2	Level 3	Total
<b>At 30 June 2023</b>				
Financial assets at fair value through profit or loss				
— Equity investments	7,514	—	—	7,514
— Private equity investments	—	—	80,745	80,745
— Structured deposits	—	—	20,619	20,619
	<b>7,514</b>	<b>—</b>	<b>101,364</b>	<b>108,878</b>
Audited	Level 1	Level 2	Level 3	Total
<b>At 31 December 2022</b>				
Financial assets at fair value through profit or loss				
— Equity investments	12,365	—	—	12,365
— Private equity investments	—	—	59,764	59,764
— Structured deposits	—	—	50,502	50,502
	12,365	—	110,266	122,631

There are no transfers between levels during the period.

The Group does not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2023 (31 December 2022: same).

#### (b) Valuation techniques used to determine fair value

The discounted cash flow model is used to determine the fair value of the structured deposits in level 3, and the net asset value model is used to determine the fair value of the equity investments in level 3 as at 30 June 2023 (31 December 2022: same).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Fair value measurement of financial instruments (Continued)

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

The following table presents the changes in level 3 items for the six months ended 30 June 2023 and for the year ended 31 December 2022.

Unaudited	Private equity investments	Structured deposits
<b>At 1 January 2023</b>	<b>59,764</b>	<b>50,502</b>
Disposals	—	<b>(49,500)</b>
Acquisitions	<b>21,000</b>	<b>20,000</b>
Unrealised losses recognised in net investment losses	<b>(19)</b>	<b>(383)</b>
<b>At 30 June 2023</b>	<b>80,745</b>	<b>20,619</b>
Including: unrealised gains recognised in profit or loss attributable to balances held at the end of the period	<b>2,745</b>	<b>619</b>
Audited	Private equity investments	Structured deposits
<b>Opening balance as at 1 January 2022</b>	15,000	61,295
Disposals	—	(59,500)
Acquisitions	42,000	49,500
Unrealised gains/(losses) recognised in net investment losses	2,764	(793)
<b>Closing balance as at 31 December 2022</b>	59,764	50,502
Including: unrealised gains recognised in profit or loss attributable to balances held at the end of the year	2,764	1,002

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Fair value measurement of financial instruments (Continued)

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

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

#### Unaudited

Description	Fair value as at 30 June 2023	Unobservable inputs	Range of inputs as at 30 June 2023	Relationship of unobservable inputs to fair value
Structured deposits	20,619	Expected yield to maturity	3.00%	The higher the expected yield to maturity, the higher the fair value

#### Audited

Description	Fair value as at 31 December 2022	Unobservable inputs	Range of inputs as at 31 December 2022	Relationship of unobservable inputs to fair value
Structured deposits	50,502	Expected yield to maturity	1.95%–3.50%	The higher the expected yield to maturity, the higher the fair value

### 5.3 Fair value of investment properties

#### (a) Fair value hierarchy

Unaudited	Level 1	Level 2	Level 3	Total
<b>At 30 June 2023</b>				
Investment properties	—	1,680	191,289	192,969
	—	1,680	191,289	192,969
Audited	Level 1	Level 2	Level 3	Total
<b>At 31 December 2022</b>				
Investment properties	—	1,680	191,289	192,969
	—	1,680	191,289	192,969

There are no transfers between levels during the period.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value of investment properties (Continued)

#### (b) Valuation techniques used to determine level 2 and level 3 fair values

The Group obtains independent valuations for its investment properties at least annually, and determines a property's value within a range of reasonable fair value estimates.

The fair value for investment properties in level 2 is based on current prices in local market for similar properties. For investment properties classified as level 3, which are appraised annually by an independent property valuer, valuations are based on the income approach by the net rental income derived from the contracted or expected rental taking into consideration of potential rental growth rate and expected vacancy rate of the properties.

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

#### Unaudited

Description	Fair value at 30 June 2023	Unobservable inputs	Range of inputs at 30 June 2023	Relationship of unobservable inputs to fair value
Investment properties	191,289	Discount rate	5%	The higher the discount rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	2%–15%	
		Rental growth rate	2.5%–3.5%	The higher the rental growth rate, the higher the fair value

#### Audited

Description	Fair value at 31 December 2022	Unobservable inputs	Range of inputs at 31 December 2022	Relationship of unobservable inputs to fair value
Investment properties	191,289	Discount rate	5%	The higher the discount rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	2%–15%	
		Rental growth rate	2.5%–3.5%	The higher the rental growth rate, the higher the fair value

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 5.4 Capital risk management

#### (a) Risk management

The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowing net of cash and cash equivalents. Total capital is calculated as "total equity" as shown in the interim condensed consolidated statement of financial position plus net debt.

The Group's strategy is to maintain a gearing ratio below 50% and to meet the compliance requirements of its subsidiary, Suzhou Wuzhong Pawnshop Co., Ltd. on aggregate amount of loans to customers at all times. The gearing ratio as at 30 June 2023 and 31 December 2022 are as follows:

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Borrowings (note 36)	<b>691,147</b>	729,228
Less: Cash and cash equivalents (note 33)	<b>(232,811)</b>	(196,805)
Net debt	<b>458,336</b>	532,423
Total equity	<b>2,140,987</b>	2,111,330
Total capital	<b>2,599,323</b>	2,643,753
<b>Gearing ratio</b>	<b>17.63%</b>	20.14%

## 6. SEGMENT INFORMATION

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

The Group manages its business under two operating and reportable segments for the six months ended 30 June 2023 (2022: same).

#### (a) Business segments

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 6. SEGMENT INFORMATION (Continued)

### (b) Segment analysis

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

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

Unaudited	Six months ended 30 June 2023				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	105,975	205,941	5,241	—	317,157
Internal operating income	64	261	6,449	(6,774)	—
External operating cost	(4,799)	(189,293)	(8,882)	—	(202,974)
Internal operating cost	(3,339)	(3,881)	—	7,220	—
Net investment gains	1	304	3,689	—	3,994
Credit impairment losses	(40,863)	(1,186)	2,596	—	(39,453)
Other operating income	955	2,930	5,524	(4,194)	5,215
General and administrative expenses	(16,109)	(4,798)	(22,615)	3,748	(39,774)
Other gains, net	59	—	890	—	949
Share of profit of a joint venture accounted for using the equity method	—	2,134	—	—	2,134
<b>Profit/(loss) before income tax</b>	<b>41,944</b>	<b>12,412</b>	<b>(7,108)</b>	<b>—</b>	<b>47,248</b>
<b>Capital expenditure</b>	<b>(1,012)</b>	<b>(19)</b>	<b>(13,159)</b>	<b>—</b>	<b>(14,190)</b>
Unaudited	As at 30 June 2023				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
<b>Segment assets</b>	<b>1,540,763</b>	<b>833,798</b>	<b>607,338</b>	<b>(6,588)</b>	<b>2,975,311</b>
<b>Segment liabilities</b>	<b>(215,096)</b>	<b>(207,034)</b>	<b>(418,248)</b>	<b>6,054</b>	<b>(834,324)</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 6. SEGMENT INFORMATION (Continued)

### (b) Segment analysis (Continued)

Unaudited	Six months ended 30 June 2022				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	105,310	194,000	6,109	—	305,419
Internal operating income	306	352	5,801	(6,459)	—
External operating cost	(3,418)	(179,982)	(8,317)	—	(191,717)
Internal operating cost	(3,683)	(2,190)	(306)	6,179	—
Net investment (losses)/gains	—	(369)	83	—	(286)
Credit impairment losses	(33,833)	(2,113)	(4,020)	—	(39,966)
Net gains on derecognition of financial assets measured at amortised cost	1,911	—	—	—	1,911
Other operating (expenses)/income	(2,336)	50	1,287	(712)	(1,711)
General and administrative expenses	(11,560)	(2,894)	(21,052)	992	(34,514)
Other (losses)/gains, net	—	(25)	1,780	—	1,755
<b>Profit/(loss) before income tax</b>	<b>52,697</b>	<b>6,829</b>	<b>(18,635)</b>	<b>—</b>	<b>40,891</b>
<b>Capital expenditure</b>	<b>(884)</b>	<b>(177)</b>	<b>(8,027)</b>	<b>—</b>	<b>(9,088)</b>
	As at 31 December 2022				
Audited	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
<b>Segment assets</b>	1,525,168	680,881	783,263	(4,166)	2,985,146
<b>Segment liabilities</b>	(197,245)	(200,191)	(480,906)	4,526	(873,816)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 7. INTEREST INCOME

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Interest income from loans to customers		
— Secured loans to customers	<b>82,639</b>	74,978
— Unsecured loans to customers	<b>43,125</b>	47,209
Interest income from bank deposits	<b>2,846</b>	2,939
	<b>128,610</b>	125,126

## 8. SALES OF GOODS AND COSTS OF SALES

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Sales of goods		
— <i>As principal</i>	<b>187,980</b>	178,474
Costs of sales		
— <i>As principal</i>	<b>(185,782)</b>	(177,099)

## 9. CONSULTANCY FEE INCOME

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Loan consultancy fee income	<b>109</b>	723

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 10. COMMISSION FEE INCOME

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Commission fee income from guarantee business	—	755
Insurance agency commission fee income	415	341
	<b>415</b>	1,096

## 11. INTEREST EXPENSE

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Interest expense on bank borrowings	12,302	14,379
Interest expense on micro-finance company borrowings	2,033	3
Interest expense on other borrowings	2,432	—
Other interest expenses	425	236
	<b>17,192</b>	14,618

## 12. NET INVESTMENT GAINS/(LOSSES)

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Fair value gains/(losses)		
— financial assets at fair value through profit or loss	5,608	(626)
Net (losses)/gains from disposal of financial assets	(1,937)	340
Others	323	—
	<b>3,994</b>	(286)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
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## 13. CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Credit impairment losses on loans to customers	39,371	41,170
Credit impairment losses on financial guarantees	—	(1,359)
Credit impairment losses on other current assets	82	155
	<b>39,453</b>	39,966

## 14. OTHER OPERATING INCOME/(EXPENSES)

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Net gains/(losses) from disposal of repossessed assets	1,015	(2,367)
Rental income	3,681	399
Others	519	257
	<b>5,215</b>	(1,711)

## 15. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Employee benefit expenses (note 16)	19,300	19,897
Professional and consultancy fees	8,204	4,598
Depreciation and amortisation	3,293	3,203
Telephone, utilities and office expenses	3,183	2,124
Transportation, meal and accommodation	2,006	1,776
Value-added tax surcharges	1,809	964
Operating lease payments	545	661
Auditors' remuneration	500	600
Advertising costs	338	53
Other expenses	596	638
	<b>39,774</b>	34,514

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts in RMB thousands unless otherwise stated)

## 16. EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Discretionary bonuses	9,085	8,640
Wages and salaries	7,951	7,741
Pension	955	818
Other social security obligations	1,309	2,698
	<b>19,300</b>	19,897

## 17. OTHER GAINS, NET

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Net foreign currency gains	880	1,755
Government grants	69	—
	<b>949</b>	1,755

## 18. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Current income tax	18,143	8,875
Deferred income tax	(7,422)	3,524
	<b>10,721</b>	12,399

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 18. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Profit before income tax	47,248	40,891
Tax calculated at domestic tax rates applicable to profits in the respective area	11,762	10,418
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	57	41
— Investment income attributable to non-controlling interests	—	(951)
— Sundry items	(1,019)	108
Subtotal	10,800	9,616
Adjustment for current income tax of prior years	—	105
Unused tax losses for which no deferred tax asset has been recognised	596	634
Previously unrecognised tax losses now recouped to reduce current income tax	(675)	(232)
PRC withholding tax	—	2,276
Income tax expense	10,721	12,399

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

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

The applicable Hong Kong profits tax rate is 16.5% on the assessable profits earned or derived in Hong Kong for the six months ended 30 June 2023 (2022: same).

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

For small and micro enterprises with annual taxable income not exceeding RMB1 million, the income tax provision is calculated at the applicable corporate tax rate of 20% (2022: 20%) on 25% (2022: 12.5%) of the taxable income amount, and for those with annual taxable income more than RMB1 million but less than RMB3 million, the income tax provision is calculated at the applicable corporate tax rate of 20% (2022: 20%) on 25% (2022: 25%) of the taxable income amount.

Pursuant to the CIT Law, a 5% or 10% (2022: 10%) withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 19. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Profit for the period attributable to owners of the Company (RMB'000)	<b>27,619</b>	18,149
Weighted average number of ordinary shares in issue (in thousands)	<b>1,090,335</b>	1,090,335
Basic earnings per share (RMB)	<b>0.025</b>	0.017

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share is same as the basic earnings per share for the six months ended 30 June 2023 and 2022 as the Group has no category of dilutive potential ordinary shares in issue.

## 20. DIVIDENDS

A dividend of HK\$0.03 per ordinary share in respect of the year ended 31 December 2022 was declared at the annual general meeting ("AGM") of the Company held on 12 June 2023. It was determined that such dividend would be paid out of the retained earnings account. Based on the total number of ordinary shares of 1,090,335 thousand outstanding on 31 December 2022, a total dividend of HK\$32.7 million (equivalent to RMB29.2 million) was paid out by the Company on 7 July 2023 (2022: A dividend of HK\$0.04 per ordinary share in respect of the year ended 31 December 2021 was declared at the AGM of the Company held on 26 May 2022. It was determined that such dividend would be paid out of the retained earnings account. Based on the total number of ordinary shares of 1,090,335 thousand outstanding on 31 December 2021, a total dividend of HK\$43.6 million (equivalent to RMB37.3 million) was paid out by the Company on 15 June 2022).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 21. SUBSIDIARIES

The following is a list of the Company's principal subsidiaries as at 30 June 2023. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group. The country/place of incorporation is also their principal place of business.

Name of subsidiary	Country/ place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Interest directly held	Interest indirectly held	Principal activities
Sifang Investment Limited	BVI	22 November 2011	Limited company	1 share of US\$1	100%	—	Investment holding
Tongda Investment Limited	BVI	22 November 2011	Limited company	1 share of US\$1	100%	—	Investment holding
Rongda Investment Limited	Hong Kong	5 December 2011	Limited company	1 share of HK\$1	—	100%	Investment holding
Huifang Investment Limited	Hong Kong	5 December 2011	Limited company	1 share of HK\$1	—	100%	Investment holding
Suzhou Huifang Technology Company Limited	Mainland China	29 December 2011	Limited company	US\$96,100,000/ US\$98,100,000	—	100%	Investment holding
Suzhou Huifang Tongda Information Technology Company Limited	Mainland China	10 February 2012	Limited company	RMB500,000,000	—	100%	Management consulting
Jiangsu Zhongli Communication Technology Co., Ltd. (formerly known as Suzhou Huifang Rongda Internet Technology Company Limited)	Mainland China	8 May 2015	Limited company	RMB27,000,000/ RMB50,000,000	—	100%	Management consulting
Suzhou Wuzhong Pawnshop Co., Ltd. ("Wuzhong Pawnshop")	Mainland China	21 December 1999	Limited company	RMB1,000,000,000	—	100%	Pawnshop services
Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.	Mainland China	26 December 2012	Limited company	RMB300,000,000	—	70%	Micro-financing and lending
Suzhou Huida Commercial Factoring Company Limited	Mainland China	30 May 2016	Limited company	RMB170,000,000	—	52.94%	Factoring services
Suzhou Huifang Jiada Information Technology Company Limited	Mainland China	15 December 2016	Limited company	RMB50,000,000	—	100%	Technology consulting services
Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)	Mainland China	1 September 2017	Limited company	RMB75,000,000	—	80%	Short-term turnover loans
Suzhou Huifang Anda Insurance Agency Company Limited	Mainland China	16 November 2004	Limited company	RMB2,400,000	—	65%	Insurance agency

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 21. SUBSIDIARIES (Continued)

Name of subsidiary	Country/ place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Interest directly held	Interest indirectly held	Principal activities
Suzhou Huifang Supply Chain Management Company Limited ("Huifang Supply Chain" (note (a)))	Mainland China	25 May 2018	Limited company	RMB263,800,000/ RMB400,000,000	—	100%	Supply chain management
Sichuan Aomeishu Technology Company Limited	Mainland China	17 May 2015	Limited company	RMB2,000,000	—	100%	Technology development
Qingdao Wanchen Buliang Property Company Limited ("Qingdao Wanchen")	Mainland China	31 October 2019	Limited company	RMB10,000,000	—	100%	Purchase and dispose of non-performing assets
Nanjing Yiling Culture and Art Co., Ltd.	Mainland China	8 May 2021	Limited company	RMB55,000,000	—	55%	Arts loans
Suzhou Huifang Rongcui Management Consulting Co., Ltd. ("Huifang Rongcui") (note (b))	Mainland China	29 June 2021	Limited company	RMB68,000,000/ RMB100,000,000	—	90%	Equity investment
Changsha Furong District Huifang Pawnshop Co., Ltd.	Mainland China	9 December 2021	Limited company	RMB50,000,000	—	100%	Pawnshop services
Suzhou Huifang Tongcui Management Consulting (Limited Partnership)	Mainland China	23 May 2022	Limited partnership	RMB10,000,000/ RMB20,000,000	—	60%	Equity investment
Nanchang Huifang Pawnshop Co., Ltd.	Mainland China	24 November 2022	Limited company	RMB30,000,000	—	90%	Pawnshop services
Suzhou Huirong Culture and Art Co., Ltd. ("Huirong Culture and Art") (note (c))	Mainland China	10 November 2022	Limited company	RMB50,000/ RMB1,000,000	—	100%	Sales of luxury goods
Suzhou Huifang Financial Leasing Co., Ltd. ("Huifang Financial Leasing") (note (d))	Mainland China	16 May 2023	Limited company	RMB100,000,000/ RMB170,000,000	—	70%	Financial leasing services
Suzhou Huifang Dinghe Business Management Co., Ltd. ("Huifang Dinghe") (note (e))	Mainland China	22 May 2023	Limited company	RMB0/ RMB35,000,000	—	100%	Investment holding

Notes:

- (a) During the six months ended 30 June 2023, the Group further invested RMB28.8 million in Huifang Supply Chain.
- (b) On 13 January 2023, the Group and the non-controlling shareholders further invested RMB18.9 million and RMB2.1 million respectively in Huifang Rongcui.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 21. SUBSIDIARIES (Continued)

Notes: (Continued)

- (c) On 14 February 2023, the Group first invested RMB50 thousand in Huirong Culture and Art.
- (d) On 16 May 2023, the Group and non-controlling shareholders invested RMB70.0 million and RMB30.0 million respectively to set up Huifang Financial Leasing.
- (e) The Group set up Huifang Dinghe on 2 May 2023.

## 22. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings Unaudited</b>	<b>Vehicles Unaudited</b>	<b>Electronics and other equipment Unaudited</b>	<b>Total Unaudited</b>
<b>Cost</b>				
At 1 January 2023	51,484	367	8,618	60,469
Additions	—	253	843	1,096
Disposals	—	—	(980)	(980)
At 30 June 2023	51,484	620	8,481	60,585
<b>Accumulated depreciation</b>				
At 1 January 2023	(901)	(109)	(4,777)	(5,787)
Additions	(475)	(69)	(700)	(1,244)
Disposals	—	—	932	932
At 30 June 2023	(1,376)	(178)	(4,545)	(6,099)
<b>Carrying amount</b>				
At 30 June 2023	50,108	442	3,936	54,486
	Audited	Audited	Audited	Audited
At 31 December 2022	50,583	258	3,841	54,682

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 23. LEASES

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

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
<b>Right-to-use assets</b>		
Land-use rights (note (a))	<b>12,088</b>	12,259
Properties	<b>3,941</b>	5,431
	<b>16,029</b>	17,690
<b>Lease liabilities</b>		
Current	<b>1,897</b>	2,627
Non-current	<b>2,078</b>	2,597
	<b>3,975</b>	5,224

Note:

- (a) As at 30 June 2023, land-use rights are pledged with banks to secure non-current bank borrowings with principal amount of RMB193.0 million (31 December 2022: RMB197.0 million) which is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building (note 36(a)).

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

	<b>Land-use rights Unaudited</b>	<b>Properties Unaudited</b>	<b>Total Unaudited</b>
<b>Cost</b>			
At 1 January 2023 and 30 June 2023	15,246	20,667	35,913
<b>Accumulated depreciation</b>			
At 1 January 2023	(2,987)	(15,236)	(18,223)
Additions	(171)	(1,490)	(1,661)
At 30 June 2023	(3,158)	(16,726)	(19,884)
<b>Carrying amount</b>			
At 30 June 2023	12,088	3,941	16,029
	Audited	Audited	Audited
At 31 December 2022	12,259	5,431	17,690

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 24. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

The Group invested RMB16.0 million to set up Suzhou Cibe Management Consulting Partnership (LP) (蘇州次貝企業管理諮詢合夥企業(有限合夥)) (“Suzhou Cibe”) together with another party and obtained 90% of the equity interest of Suzhou Cibe in 2021. During the six months ended 30 June 2022, the Group and the general partner invested RMB13.5 million and RMB1.5 million respectively in Suzhou Cibe. According to the Partnership Agreement, the operating decisions of the partnership shall be unanimously agreed by both partners. Therefore, the Group has joint control over Suzhou Cibe and the investment is accounted for using the equity method of accounting.

The carrying amount of equity-accounted investments has changed as follows in the six months ended 30 June 2023:

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
<b>At 1 January</b>	<b>26,005</b>	17,475
Additions	—	13,490
Deductions	<b>(17,071)</b>	—
Profit for the period	<b>2,134</b>	—
Dividend received	<b>(2,134)</b>	—
<b>At 30 June</b>	<b>8,934</b>	30,965

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 25. INVESTMENT PROPERTIES

	Six months ended 30 June 2023 Unaudited		
	Zhonghui Financial Building <i>(notes (a), (b))</i>	Other	Total
<b>At fair value At 1 January</b>	<b>191,289</b>	<b>1,680</b>	<b>192,969</b>
<b>At 30 June</b>	<b>191,289</b>	<b>1,680</b>	<b>192,969</b>

	Six months ended 30 June 2022 Unaudited		
	Zhonghui Financial Building <i>(notes (a), (b))</i>	Other	Total
<b>At fair value At 1 January</b>	202,018	1,680	203,698
<b>At 30 June</b>	202,018	1,680	203,698

Notes:

- (a) The investment property is a self-constructed building, named Zhonghui Financial Building. The construction of the building started in January 2020 and was completed in December 2021. Part of the building is held by the Group for long-term rental yields through renting it to external parties as commercial and office property, and is measured at fair value. The fair value of the building as at 30 June 2023 almost has no change from 31 December 2022. Detailed information about the valuation and unobservable inputs is set out in note 5.3.
- (b) As at 30 June 2023, the investment property named Zhonghui Financial Building is pledged with banks to secure non-current bank borrowings with principal amount of RMB193.0 million (31 December 2022: RMB197.0 million), which is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building (note 36(a)).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 26. INTANGIBLE ASSETS

	<b>Computer software</b> Audited	<b>Licenses</b> Audited	<b>Total</b> Audited
<b>At 31 December 2022</b>			
Cost	3,233	3,294	6,527
Accumulated amortisation and impairment	(2,380)	(3,020)	(5,400)
<b>Carrying amount</b>	<b>853</b>	<b>274</b>	<b>1,127</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Six months ended 30 June 2023</b>			
Opening carrying amount	<b>853</b>	<b>274</b>	<b>1,127</b>
Additions	<b>31</b>	<b>—</b>	<b>31</b>
Amortisation charge	<b>(114)</b>	<b>(274)</b>	<b>(388)</b>
Closing carrying amount	<b>770</b>	<b>—</b>	<b>770</b>
<b>At 30 June 2023</b>			
Cost	<b>3,264</b>	<b>3,294</b>	<b>6,558</b>
Accumulated amortisation and impairment	<b>(2,494)</b>	<b>(3,294)</b>	<b>(5,788)</b>
<b>Carrying amount</b>	<b>770</b>	<b>—</b>	<b>770</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 27. LOANS TO CUSTOMERS

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
<b>Non-current</b>		
Loans to customers, gross		
Unsecured loans	<b>278,619</b>	264,828
— <i>Guaranteed loans</i>	<b>278,619</b>	262,538
— <i>Other unsecured loans</i>	<b>—</b>	2,290
Less: ECL allowances	<b>(6,368)</b>	(5,859)
Loans to customers, net	<b>272,251</b>	258,969
<b>Current</b>		
Loans to customers, gross		
Secured loans	<b>1,652,985</b>	1,617,499
— <i>Real estate backed loans</i>	<b>1,347,306</b>	1,409,990
— <i>Movable property backed loans</i>	<b>305,679</b>	207,509
Unsecured loans	<b>940,781</b>	940,587
— <i>Equity interest backed loans</i>	<b>486,658</b>	461,471
— <i>Guaranteed loans</i>	<b>254,868</b>	233,014
— <i>Other unsecured loans</i>	<b>199,255</b>	246,102
Less: ECL allowances	<b>2,593,766</b>	2,558,086
Secured loans	<b>(501,724)</b>	(491,743)
Unsecured loans	<b>(244,060)</b>	(218,257)
	<b>(745,784)</b>	(710,000)
Loans to customers, net	<b>1,847,982</b>	1,848,086

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 27. LOANS TO CUSTOMERS (Continued)

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.0% to 24.0% per annum for the six months ended 30 June 2023 (2022: same). Movable property backed loans granted to customers bear fixed interest rates from 8.0% to 54.0% per annum for the six months ended 30 June 2023 (2022: same). Guaranteed loans granted to customers bear fixed interest rates from 5.5% to 18.0% per annum for the six months ended 30 June 2023 (2022: same). Other unsecured loans granted to customers bear fixed interest rates from 8.0% to 16.0% per annum for the six months ended 30 June 2023 (2022: from 3.8% to 17.0% per annum).

As at 30 June 2023, renewed loans amount to RMB266.2 million (31 December 2022: RMB254.8 million), which include real estate backed loans, equity interest backed loans and guaranteed loans (31 December 2022: same).

### (a) Aging analysis of loans to customers

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

Unaudited	As at 30 June 2023		
	Secured loans	Unsecured loans	Total
<b>Non-current</b>			
Within 3 months	—	43,923	43,923
3–6 months	—	39,019	39,019
6–12 months	—	48,848	48,848
12–24 months	—	92,352	92,352
Over 24 months	—	48,109	48,109
	—	272,251	272,251

Unaudited	As at 30 June 2023		
	Secured loans	Unsecured loans	Total
<b>Current</b>			
Within 3 months	255,670	360,963	616,633
3–6 months	215,807	151,217	367,024
6–12 months	285,078	79,476	364,554
12–24 months	62,363	51,135	113,498
Over 24 months	6,751	15,687	22,438
Past due (note (i))	325,592	38,243	363,835
	1,151,261	696,721	1,847,982

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
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## 27. LOANS TO CUSTOMERS (Continued)

### (a) Aging analysis of loans to customers (Continued)

Audited	As at 31 December 2022		Total
	Secured loans	Unsecured loans	
<b>Non-current</b>			
Within 3 months	—	12,073	12,073
3–6 months	—	46,877	46,877
6–12 months	—	25,448	25,448
12–24 months	—	130,544	130,544
Over 24 months	—	44,027	44,027
	—	258,969	258,969

Audited	As at 31 December 2022		Total
	Secured loans	Unsecured loans	
<b>Current</b>			
Within 3 months	216,776	227,680	444,456
3–6 months	301,545	139,388	440,933
6–12 months	186,882	289,426	476,308
12–24 months	63,113	6,771	69,884
Over 24 months	7,012	35,195	42,207
Past due (note (i))	350,428	23,870	374,298
	1,125,756	722,330	1,848,086

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 27. LOANS TO CUSTOMERS (Continued)

### (a) Aging analysis of loans to customers (Continued)

Note:

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

Unaudited	As at 30 June 2023		Total
	Secured loans	Unsecured loans	
Past due within three months	10,184	27,097	37,281
Past due between three months and one year	38,877	9,979	48,856
Past due between one year and three years	14,130	—	14,130
Past due over three years	262,401	1,167	263,568
	<b>325,592</b>	<b>38,243</b>	<b>363,835</b>

  

Audited	As at 31 December 2022		Total
	Secured loans	Unsecured loans	
Past due within three months	24,636	16,237	40,873
Past due between three months and one year	28,805	6,356	35,161
Past due between one year and three years	13,630	—	13,630
Past due over three years	283,357	1,277	284,634
	350,428	23,870	374,298

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 27. LOANS TO CUSTOMERS (Continued)

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

The following tables explain the changes in loss allowances for the six months ended 30 June 2023 due to these factors:

Unaudited	Six months ended 30 June 2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Non-current — unsecured loans</b>				
<b>Loss allowances as at 31 December 2022</b>	5,859	—	—	5,859
New loans to customers originated	2,084	—	—	2,084
Loans to customers derecognised during the period other than write-offs	(1,575)	—	—	(1,575)
<b>Loss allowances as at 30 June 2023</b>	<b>6,368</b>	<b>—</b>	<b>—</b>	<b>6,368</b>
Unaudited	Six months ended 30 June 2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — secured loans</b>				
<b>Loss allowances as at 31 December 2022</b>	9,893	2,172	479,678	491,743
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(1,201)	23,551	—	22,350
<i>Transfers from Stage 2 to Stage 3</i>	—	(18,067)	26,178	8,111
New loans to customers originated	6,319	—	—	6,319
Changes in PDs/LGDs/EADs	754	1,607	12,509	14,870
Unwinding of discount	—	—	6,510	6,510
Loans to customers derecognised during the period other than write-offs	(5,191)	(6,658)	(36,330)	(48,179)
<b>Loss allowances as at 30 June 2023</b>	<b>10,574</b>	<b>2,605</b>	<b>488,545</b>	<b>501,724</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 27. LOANS TO CUSTOMERS (Continued)

### (b) Movements on ECL allowances for loans to customers (Continued)

Unaudited	Six months ended 30 June 2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — unsecured loans</b>				
<b>Loss allowances as at 31 December 2022</b>	<b>19,899</b>	<b>8,279</b>	<b>190,079</b>	<b>218,257</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<b>(4,449)</b>	<b>35,941</b>	<b>—</b>	<b>31,492</b>
<i>Transfers from Stage 2 to Stage 3</i>	<b>—</b>	<b>(27,899)</b>	<b>54,159</b>	<b>26,260</b>
New loans to customers originated	<b>80,169</b>	<b>—</b>	<b>—</b>	<b>80,169</b>
Changes in PDs/LGDs/EADs	<b>(641)</b>	<b>16,742</b>	<b>10,526</b>	<b>26,627</b>
Loans to customers derecognised during the period other than write-offs	<b>(72,903)</b>	<b>(23,944)</b>	<b>(41,898)</b>	<b>(138,745)</b>
<b>Loss allowances as at 30 June 2023</b>	<b>22,075</b>	<b>9,119</b>	<b>212,866</b>	<b>244,060</b>

Audited	Year ended 31 December 2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Non-current — unsecured loans</b>				
<b>Loss allowances as at 31 December 2021</b>	4,549	—	—	4,549
New loans to customers originated	1,417	—	—	1,417
Changes in PDs/LGDs/EADs	199	—	—	199
Loans to customers derecognised during the year other than write-offs	(306)	—	—	(306)
<b>Loss allowances as at 31 December 2022</b>	<b>5,859</b>	<b>—</b>	<b>—</b>	<b>5,859</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 27. LOANS TO CUSTOMERS (Continued)

### (b) Movements on ECL allowances for loans to customers (Continued)

Audited	Year ended 31 December 2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — secured loans</b>				
<b>Loss allowances as at</b>				
<b>31 December 2021</b>	7,516	10,876	371,420	389,812
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(2,044)	27,831	—	25,787
<i>Transfers from Stage 2 to Stage 3</i>	—	(31,455)	43,317	11,862
New loans to customers originated	14,784	—	—	14,784
Changes in PDs/LGDs/EADs	(302)	(367)	84,482	83,813
Unwinding of discount	—	—	14,984	14,984
Loans to customers derecognised during the year other than write-offs	(10,061)	(4,713)	(34,525)	(49,299)
<b>Loss allowances as at</b>				
<b>31 December 2022</b>	9,893	2,172	479,678	491,743
<b>Current — unsecured loans</b>				
<b>Loss allowances as at</b>				
<b>31 December 2021</b>	18,501	2,812	228,807	250,120
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(4,611)	12,732	—	8,121
<i>Transfers from Stage 2 to Stage 3</i>	—	(8,553)	16,641	8,088
New loans to customers originated	172,256	—	—	172,256
Changes in PDs/LGDs/EADs	(10,091)	1,292	(19,754)	(28,553)
Unwinding of discount	—	—	84	84
Loans to customers derecognised during the year other than write-offs	(156,156)	(4)	(35,699)	(191,859)
<b>Loss allowances as at</b>				
<b>31 December 2022</b>	19,899	8,279	190,079	218,257

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 27. LOANS TO CUSTOMERS (Continued)

### (c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances

The following table explains changes in the gross carrying amount of the loans to customers that help explain their significance to the changes in the ECL allowances for loans to customers:

Unaudited	Six months ended 30 June 2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Non-current — unsecured loans</b>				
<b>Gross carrying amount as at 31 December 2022</b>	<b>264,828</b>	—	—	<b>264,828</b>
Loans to customers derecognised during the period other than write-offs	(71,388)	—	—	(71,388)
New loans to customers originated	85,000	—	—	85,000
Changes in interest accrual	179	—	—	179
<b>Gross carrying amount as at 30 June 2023</b>	<b>278,619</b>	—	—	<b>278,619</b>

Unaudited	Six months ended 30 June 2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — secured loans</b>				
<b>Gross carrying amount as at 31 December 2022</b>	<b>800,972</b>	<b>11,057</b>	<b>805,470</b>	<b>1,617,499</b>
Transfers:				
Transfers from Stage 1 to Stage 2	(150,530)	150,530	—	—
Transfers from Stage 2 to Stage 3	—	(102,842)	102,842	—
Loans to customers derecognised during the period other than write-offs	(345,367)	(46,937)	(119,234)	(511,538)
New loans to customers originated	530,814	—	—	530,814
Changes in interest accrual	1,242	92	14,876	16,210
<b>Gross carrying amount as at 30 June 2023</b>	<b>837,131</b>	<b>11,900</b>	<b>803,954</b>	<b>1,652,985</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 27. LOANS TO CUSTOMERS (Continued)

### (c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances (Continued)

Audited	Year ended 31 December 2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — secured loans</b>				
<b>Gross carrying amount as at 31 December 2021</b>	538,408	42,118	817,840	1,398,366
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(109,663)	109,663	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(107,805)	107,805	—
Loans to customers derecognised during the year other than write-offs	(709,119)	(31,864)	(175,642)	(916,625)
New loans to customers originated	1,084,847	—	—	1,084,847
Changes in interest accrual	(3,501)	(1,055)	55,467	50,911
<b>Gross carrying amount as at 31 December 2022</b>	800,972	11,057	805,470	1,617,499
<b>Current — unsecured loans</b>				
<b>Gross carrying amount as at 31 December 2021</b>	602,834	6,797	244,019	853,650
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(31,644)	31,644	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(17,860)	17,860	—
Loans to customers derecognised during the year other than write-offs	(5,306,999)	(5)	(56,594)	(5,363,598)
New loans to customers originated	5,445,451	—	—	5,445,451
Changes in interest accrual	6,749	3,940	(8,027)	2,662
FX and other movements	1,968	—	454	2,422
<b>Gross carrying amount as at 31 December 2022</b>	718,359	24,516	197,712	940,587

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 28. FINANCE LEASE RECEIVABLES

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Undiscounted lease payments are analysed as:		
Recoverable after 12 months	<b>10,138</b>	—
Recoverable within 12 months	<b>10,931</b>	—
	<b>21,069</b>	—
Net investments in the leases are analysed as:		
Recoverable after 12 months	<b>9,404</b>	—
Recoverable within 12 months	<b>9,640</b>	—
	<b>19,044</b>	—

The Group entered into finance leasing arrangements as a lessor for certain equipment to its lessees. The term of finance leases entered into ranges from 1.5 to 3 years.

The Group's finance lease receivables are all denominated in RMB. Residual value risk on the finance leases is not significant because of the existence of a secondary market with respect to the equipment.

Finance lease receivables are receivable as follows:

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Within one year	<b>10,931</b>	—
In the second year	<b>7,020</b>	—
In the third year	<b>3,118</b>	—
Undiscounted lease payments	<b>21,069</b>	—
Less: unearned finance lease income	<b>(2,025)</b>	—
Net investments in leases	<b>19,044</b>	—

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

The average effective interest rate contracted is 12.09% per annum.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 29. DEFERRED INCOME TAX

### (a) Deferred income tax assets

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
<b>The balance comprises temporary differences attributable to:</b>		
ECL allowances charge on financial assets	<b>95,589</b>	85,525
Net losses from financial instruments at fair value through profit or loss	<b>—</b>	981
Recoverable tax losses	<b>4,708</b>	6,151
Total deferred income tax assets	<b>100,297</b>	92,657
Offsetting of deferred income tax liabilities pursuant to off-setting provisions	<b>(3,897)</b>	(7,102)
Net deferred income tax assets	<b>96,400</b>	85,555

The movement in deferred income tax assets for the six months ended 30 June 2023, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

<b>Unaudited</b>	<b>ECL allowances charge on financial assets</b>	<b>Net losses from financial instruments at fair value through profit or loss</b>	<b>Recoverable tax losses</b>	<b>Total</b>
<b>At 1 January 2022</b>	87,048	2,944	5,068	95,060
(Charged)/credited to the consolidated statement of comprehensive income	(2,529)	(1,044)	49	(3,524)
<b>At 30 June 2022</b>	84,519	1,900	5,117	91,536
<b>At 1 January 2023</b>	<b>85,525</b>	<b>981</b>	<b>6,151</b>	<b>92,657</b>
Credited/(charged) to the consolidated statement of comprehensive income	<b>10,064</b>	<b>(981)</b>	<b>(1,443)</b>	<b>7,640</b>
<b>At 30 June 2023</b>	<b>95,589</b>	<b>—</b>	<b>4,708</b>	<b>100,297</b>

As at 30 June 2023, it is estimated that deferred income tax assets will be reversed over one year (31 December 2022: same).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 29. DEFERRED INCOME TAX (Continued)

### (b) Deferred income tax liabilities

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
<b>The balance comprises temporary differences attributable to:</b>		
Net gains from investment properties	<b>24,925</b>	24,925
Net gains from financial instruments at fair value through profit or loss	<b>903</b>	685
Total deferred income tax liabilities	<b>25,828</b>	25,610
Offsetting of deferred income tax assets pursuant to off-setting provisions	<b>(3,897)</b>	(7,102)
Net deferred income tax liabilities	<b>21,931</b>	18,508

The movement in deferred income tax liabilities for the six months ended 30 June 2023, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Unaudited	Net gains from investment properties	Net gains from financial instruments at fair value through profit or loss	Total
<b>At 1 January 2022</b>	27,605	—	27,605
Charged to the consolidated statement of comprehensive income	—	—	—
<b>At 30 June 2022</b>	27,605	—	27,605

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 29. DEFERRED INCOME TAX (Continued)

### (b) Deferred income tax liabilities (Continued)

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

As at 30 June 2023, it is estimated that deferred income tax liabilities will be reversed over one year (31 December 2022: same).

## 30. INVENTORIES

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Consumer goods	13,761	2,163

## 31. OTHER CURRENT ASSETS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
Advances to suppliers	10,733	35,377
Reposessed assets	11,378	13,549
Other receivables, net	33,611	17,201
<i>Other receivables, gross</i>	34,752	18,342
<i>Less: ECL allowances</i>	(1,141)	(1,141)
	<b>55,722</b>	66,127

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Equity securities	<b>88,259</b>	72,129
Structured deposits ( <i>note (a)</i> )	<b>20,619</b>	50,502
	<b>108,878</b>	122,631

Note:

- (a) The interest rates of structured deposits are correlated to the foreign exchange rates.

As at 30 June 2023, structured deposits with principal amount of RMB20.0 million (31 December 2022: RMB49.5 million) have been pledged with banks to secure borrowings with principal amount of RMB20.0 million (31 December 2022: RMB49.5 million) (*note 36(b)*).

## 33. CASH AT BANK AND CASH ON HAND

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Cash on hand	<b>3,625</b>	1,143
Demand deposits with banks	<b>228,081</b>	194,818
Deposits with securities company	<b>1,105</b>	844
Interest receivable from bank deposits	<b>2,318</b>	2,258
Term deposits with banks with original maturities over 3 months, net	<b>52,076</b>	110,076
<i>Term deposits with banks with original maturities over 3 months, gross</i>	<b>52,240</b>	110,240
<i>Less: ECL allowances</i>	<b>(164)</b>	(164)
	<b>287,205</b>	309,139

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

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
RMB	<b>282,037</b>	299,772
US dollar	<b>3,850</b>	6,835
Hong Kong dollar	<b>1,318</b>	2,532
	<b>287,205</b>	309,139

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 33. CASH AT BANK AND CASH ON HAND (Continued)

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

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Cash at bank and cash on hand	<b>287,205</b>	309,139
Less: Interest receivable from bank deposits	<b>(2,318)</b>	(2,258)
Restricted term deposits pledged with banks with original maturities over 3 months	<b>(52,076)</b>	(110,076)
	<b>232,811</b>	196,805

As at 30 June 2023, restricted term deposits of RMB52.1 million (31 December 2022: RMB110.1 million) are pledged with banks to secure bank borrowings with principal amount of RMB50.0 million (31 December 2022: RMB105.0 million) (note 36(b)).

## 34. SHARE CAPITAL

	<b>Number of shares</b>	<b>Ordinary shares HK\$</b>	<b>Ordinary shares RMB</b>
<b>Issued and fully paid: Unaudited</b>			
As at 30 June 2023	<b>1,090,335,000</b>	<b>10,903,350</b>	<b>8,662,017</b>
Audited			
As at 31 December 2022	1,090,335,000	10,903,350	8,662,017

There are no movements in ordinary shares during the period.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 35. SHARE PREMIUM AND OTHER RESERVES

Unaudited	Other reserves					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	
At 1 January 2023 and 30 June 2023	604,478	504,457	77,715	4,417	6,533	1,197,600

## 36. BORROWINGS

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
<b>Non-current</b>		
Bank borrowing (note (a))	193,000	197,000
<b>Current</b>		
Bank borrowings (note (b))	328,897	402,128
Borrowings from other companies (note (c))	52,000	52,000
Borrowings from micro-finance companies (note (d))	67,500	45,500
Borrowings from the Group's employees (note (e))	49,750	32,600
	498,147	532,228
	691,147	729,228

The Group's borrowings are all denominated in RMB.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 36. BORROWINGS (Continued)

Notes:

- (a) As at 30 June 2023, non-current bank borrowing with principal amount of RMB193.0 million (31 December 2022: RMB197.0 million) is borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building. It is repaid in scheduled instalments within 12 years and bears floating interest rate of the 5-year Loan Prime Rate of the People's Bank of the PRC minus 35 basis points. The borrowing is secured by the Zhonghui Financial Building (31 December 2022: same) (note 25).

As at 30 June 2023, there are no undrawn bank borrowing facilities (31 December 2022: same).

- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.1% to 5.2% per annum as at 30 June 2023 (31 December 2022: fixed rate from 3.4% to 5.2% per annum).

As at 30 June 2023, bank borrowings with principal amount of RMB50.0 million (31 December 2022: RMB105.0 million) are secured by restricted term deposits of RMB52.1 million (31 December 2022: RMB110.1 million) (note 33).

As at 30 June 2023, bank borrowings with principal amount of RMB20.0 million (31 December 2022: RMB49.5 million) are secured by structured deposits of RMB20.0 million (31 December 2022: RMB49.5 million).

As at 30 June 2023, bank borrowings with principal amount of RMB90.0 million (31 December 2022: RMB100.0 million) are guaranteed by Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) ("Wuzhong Jiaye") and the Ultimate Shareholders (note 40(b)).

As at 30 June 2023, bank borrowings with principal amount of RMB10.0 million (31 December 2022: nil) are guaranteed by Wuzhong Jiaye (note 40(b)).

As at 30 June 2023, bank borrowings with principal amount of RMB20.0 million (31 December 2022: RMB30.0 million) are guaranteed by Jiangsu Wuzhong Group Co., Ltd. (江蘇吳中集團有限公司) ("Wuzhong Group") (note 40(b)).

As at 30 June 2023, bank borrowings with principal amount of RMB30.0 million (31 December 2022: RMB30.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. and counter-guaranteed by Wuzhou Group and its two subsidiaries.

- (c) As at 30 June 2023, borrowings from other companies bear a fixed interest rate of 9.0% per annum (31 December 2022: 9.0% per annum).
- (d) As at 30 June 2023, borrowings from micro-finance companies with principal amount of RMB52.5 million (31 December 2022: RMB9.5 million) are guaranteed by Wuzhong Jiaye (note 40(b)).
- (e) As at 30 June 2023, borrowings from the Group's employees bear a fixed interest rate ranging from 7.8% to 8.0% per annum (31 December 2022: of 8.0% per annum).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 37. OTHER CURRENT LIABILITIES

	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Construction payables	<b>19,958</b>	34,844
Advance from transferee of financial assets	<b>22,146</b>	25,471
Advances on sales	<b>7,004</b>	8,609
Accrued employee benefits	<b>4,371</b>	7,871
Turnover tax and other tax payable	<b>1,511</b>	1,992
Redemption deposit	<b>290</b>	—
Other financial liabilities	<b>6,970</b>	12,048
	<b>62,250</b>	90,835

## 38. CONTINGENCIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: same).

## 39. COMMITMENTS

### (a) Capital commitments

<b>Name of investee company</b>	<b>As at 30 June 2023 Unaudited</b>	As at 31 December 2022 Audited
Suzhou Cibe (note (a))	<b>20,495</b>	20,495
Suzhou Qianhui Tongcui Venture Capital Partnership (LP) ("Qianhui Tongcui") (note (b))	<b>10,000</b>	10,000
Suzhou Wuzhong Tiankai Huirui Venture Capital Partnership (LP) ("Tiankai Huirui") (note (c))	—	10,000
Suzhou Kangli Junzhuo Digital Economy Industry Investment Fund Partnership (LP) ("Kangli Junzhuo") (note (d))	<b>5,000</b>	8,000
Suzhou Qianrong Yuanfeng Venture Capital Partnership (LP) ("Qianrong Yuanfeng") (note (e))	—	8,000
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) ("Zhongxin Hengyuan") (note (f))	<b>2,000</b>	2,000
	<b>37,495</b>	58,495

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 39. COMMITMENTS (Continued)

### (a) Capital commitments (Continued)

Notes:

- (a) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB20.5 million (31 December 2022: RMB20.5 million) has not been paid by the Group as at 30 June 2023.
- (b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million (31 December 2022: RMB10.0 million) has not been paid by the Group as at 30 June 2023.
- (c) The committed investment injection to Tiankai Huirui is RMB20.0 million, all of which have been paid by the Group as at 30 June 2023 (31 December 2022: of which RMB10.0 million has not been paid by the Group).
- (d) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB5.0 million (31 December 2022: RMB8.0 million) has not been paid by the Group as at 30 June 2023.
- (e) The committed investment injection to Qianrong Yuanfeng is RMB20.0 million, all of which have been paid by the Group as at 30 June 2023 (31 December 2022: of which RMB8.0 million has not been paid by the Group).
- (f) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million (31 December 2022: RMB2.0 million) has not been paid by the Group as at 30 June 2023.

## 40. RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions of the Group. Parties are also considered to be related if they are subject to common control. Members of directors, key management and their close family member are also considered as related parties.

Name(s) of related party(ies)	Nature of relationship
Wuzhong Jiaye	Direct equity holder of Wuzhong Pawnshop and controlled by the Ultimate Shareholders
Wuzhong Group	Controlled by the Ultimate Shareholders
BVI companies wholly owned by each of the Ultimate Shareholders ("BVI entities owned by the Ultimate Shareholders")	Related parties controlled by each of the Ultimate Shareholders
Tricor Services Limited (卓佳專業商務有限公司) ("Tricor")	Company Secretary

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 40. RELATED PARTY TRANSACTIONS (Continued)

### (b) Significant transactions with related parties

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Bank borrowings guaranteed by Wuzhong Jiaye and Ultimate Shareholders (in principal amount at period end) (note 36(b))	90,000	90,122
Bank borrowings guaranteed by Wuzhong Jiaye (in principal amount at period end) (note 36(b))	10,000	—
Bank borrowings guaranteed by Wuzhong Group (in principal amount at period end) (note 36(b))	20,000	40,000
Borrowings from micro-finance companies guaranteed by Wuzhong Jiaye (in principal amount at period end) (note 36(d))	52,500	—

### (c) Balances with related parties

	As at 30 June 2023 Unaudited	As at 31 December 2022 Audited
	Due to BVI entities owned by the Ultimate Shareholders	633
Due to executive directors	—	2,000

### (d) Key management personnel compensation

Key management comprises six (2022: six) members including the executive directors, the vice president, the assistant to the president and the chief risk officer. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Basic salaries	1,600	1,378
Discretionary bonuses	1,577	1,605
Pension and other social security obligations	359	234
	3,536	3,217

As at 30 June 2023, there is no balance of loan to customer or borrowings held by directors or key management (31 December 2022: same).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023  
(All amounts in RMB thousands unless otherwise stated)

## 40. RELATED PARTY TRANSACTIONS (Continued)

### (e) Key management personnel services provided by management entity

For the six months ended 30 June 2023, the Group paid RMB407 thousand to Tricor for the company secretary services (2022: RMB207 thousand).

## 41. EVENTS AFTER THE REPORTING PERIOD

The Group participated in the restructuring of Guangda Education Technology Development Limited (“Guangda Education”), a company incorporated in the PRC principally engaged in hotel operations, through its cooperation with Suzhou Qingdong Hotel Management Limited (“Suzhou Qingdong”), a company incorporated in the PRC and the previous restructuring investor enlisted by the administrator of the restructuring of Guangda Education (the “Administrator”) as approved by a People’s Court in Suzhou of the PRC. On 17 August 2023, Huifang Dinghe, an indirect wholly-owned subsidiary of the Company, entered into a tripartite agreement with Guangda Education and Suzhou Qingdong to agree that Huifang Dinghe shall act as the restructuring investor in place of Suzhou Qingdong to conduct the acquisition of the entire interest in Guangda Education (the “Acquisition”) from the Administrator at a restructuring investment amount in the amount of RMB196 million and a nominal acquisition consideration in the amount of RMB1.

On the same date, Huifang Supply Chain, another indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with Suzhou Qingdong to agree that (1) Suzhou Qingdong shall pay a cooperation deposit in the amount of RMB50 million to Huifang Supply Chain; and (2) within twelve months of the Acquisition (i.e. from the date of full payment of the aforesaid restructuring investment amount of RMB196 million), Suzhou Qingdong shall acquire the entire equity interest in Huifang Dinghe from Huifang Supply Chain (the “Resale Arrangement”) at a disposal consideration (which includes the settlement of all debts and liabilities incurred by Huifang Dinghe and Huifang Supply Chain as a result of the Acquisition) of approximately exceeding RMB200 million, the best estimate made by the Board up to the issue date of this interim condensed consolidated financial information, in accordance with the cooperation agreement.

The commercial substance of the aforementioned series of transactions is to provide Suzhou Qingdong with the necessary financing for its acquisition of Guangda Education. Following the completion of the Acquisition, the consideration of the Acquisition of RMB196 million is accounted for as financial assets held under the Resale Arrangement, and the difference between the consideration of the Acquisition and the disposal consideration upon the completion of disposal of the entire equity interest in Huifang Dinghe is recognised as interest income during the term of the cooperation agreement using the effective interest method.

In addition, on the same date, Qingdao Wanchen, another indirect wholly-owned subsidiary of the Company, entered into a consultation services agreement with Suzhou Qingdong in relation to the provision of consultation services by Qingdao Wanchen to Suzhou Qingdong in respect of the bankruptcy restructuring of Guangda Education at a consultation fee in the amount of RMB1.5 million.

## 42. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

This interim condensed consolidated financial information was approved and authorised for issue by the Board on 30 August 2023.

# DEFINITIONS

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

“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of directors of our Company
“CG Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Changsha Pawnshop”	Changsha Furong District Huifang Pawnshop Co., Ltd.* (長沙市芙蓉區匯方典當有限責任公司), a limited liability company established in the PRC on 9 December 2021, which is an indirect wholly-owned subsidiary of our Company
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
“Company” or “our Company”	China Huirong Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 11 November 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“Contractual Arrangements”	a series of contracts entered into by Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be), details of which are described in the section headed “Our History and Reorganisation — Contractual Arrangements” in the prospectus of the Company dated 16 October 2013
“Director(s)”	the director(s) of our Company
“Dongshan Micro-finance”	Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州市吳中區東山農村小額貸款有限公司), a limited liability company established in the PRC on 26 December 2012, which is an indirect holding subsidiary of our Company
“EIT Law”	the Enterprise Income Tax Law of the People’s Republic of China
“Global Offering” or “IPO”	the Hong Kong public offering and the international offering of Shares
“Group”, “our Group”, “we”, “our” or “us”	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as the subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
“Hengyue Consulting”	Suzhou Xinqu Hengyue Management Consulting Co., Ltd.* (蘇州新區恆悅管理諮詢有限公司), a limited liability company established under the laws of the PRC on 22 October 2007, one of the direct shareholders of the PRC Operating Entity

## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huida Factoring”	Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司), a limited liability company established in the PRC on 30 May 2016, which is an indirect holding subsidiary of our Company
“Huifang Anda”	Suzhou Huifang Anda Insurance Agency Company Limited* (蘇州匯方安達保險代理有限公司), a limited liability company established in the PRC on 16 November 2004, formerly known as Nanjing Shun'an Insurance Agency Company Limited* (南京舜安保險代理有限公司), which is an indirect holding subsidiary of our Company
“Huifang Financial Leasing”	Suzhou Huifang Financial Leasing Co., Ltd.* (蘇州匯方融資租賃有限公司), a limited liability company established in the PRC on 16 May 2023, which is an indirect holding subsidiary of our Company
“Huifang Jiada”	Suzhou Huifang Jiada Information Technology Company Limited* (蘇州匯方嘉達資訊科技有限公司), a limited liability company established in the PRC on 15 December 2016, which is an indirect wholly-owned subsidiary of our Company
“Huifang Rongcui”	Suzhou Huifang Rongcui Management Consulting Co., Ltd.* (蘇州匯方融萃企業管理諮詢有限公司), a limited liability company established in the PRC on 29 June 2021, which is an indirect holding subsidiary of our Company
“Huifang Rongda”	Suzhou Huifang Rongda Internet Technology Company Limited* (蘇州匯方融達網路科技有限公司), a limited liability company established in the PRC on 8 May 2015, which is an indirect wholly-owned subsidiary of our Company
“Huifang Rongtong”	Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)), a limited partnership company established in the PRC on 1 September 2017, which is an indirect holding subsidiary of our Company
“Huifang Supply Chain”	Suzhou Huifang Supply Chain Management Co., Ltd.* (蘇州市匯方供應鏈管理有限公司), a limited liability company established in the PRC on 25 May 2018, which is an indirect wholly-owned subsidiary of our Company
“Huifang Technology”	Suzhou Huifang Management Consulting Co., Ltd.* (蘇州匯方管理諮詢有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 29 December 2011, which is an indirect wholly-owned subsidiary of our Company. On 12 December 2013, the name of Suzhou Huifang Management Consulting Co. Ltd.* (蘇州匯方管理諮詢有限公司) was changed to Suzhou Huifang Technology Co. Ltd.* (蘇州匯方科技有限公司) upon the approval from Administration for Industry and Commercial of Suzhou, Jiangsu

# DEFINITIONS

“Huifang Tongcui”	Suzhou Huifang Tongcui Enterprise Management Consulting Partnership (Limited Partnership)* (蘇州匯方同萃企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 23 May 2022, which is an indirect holding subsidiary of our Company
“Huifang Investment”	Huifang Investment Limited* (匯方投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 5 December 2011 and a wholly-owned subsidiary of our Company
“Huifang Tongda”	Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司), a limited liability company established in the PRC on 10 February 2012 which is an indirect wholly-owned subsidiary of our Company. On 11 December 2013, the name of Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司) was changed to Suzhou Huifang Tongda Information Technology Company Ltd* (蘇州匯方同達信息科技有限公司) upon the approval from Administration for Industry and Commercial of Wuzhong, Suzhou
“Huirong Culture”	Suzhou Huirong Culture and Art Co., Ltd * (蘇州匯融文化藝術有限公司), a limited liability company established in the PRC on 11 November 2022, which is an indirect wholly-owned subsidiary of our Company
“Qingdao Wanchen”	Qingdao Wanchen Buliang Property Company Limited* (青島萬宸不良資產處置有限公司), a limited liability company established in the PRC on 31 October 2019 which is an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nanchang Pawnshop”	Nanchang Huifang Pawnshop Co., Ltd.* (南昌市匯方典當有限責任公司), a limited liability company established in the PRC On 2 December 2022, which is an indirect holding subsidiary of our Company
“Nanjing Yiling”	Nanjing Yiling Culture and Art Co., Ltd.* (南京藝翎文化藝術有限公司), a limited liability company established in the PRC on 8 May 2021, which is an indirect holding subsidiary of our Company
“PRC Operating Entity” or “Wuzhong Pawnshop”	Suzhou Wuzhong Pawnshop Co., Ltd.* (蘇州市吳中典當有限責任公司), a limited liability company established under the laws of the PRC on 21 December 1999, formerly known as 吳縣市吳中典當行有限公司 (Wuxian Wuzhong Pawnshop Co., Ltd.*), a company which we do not own but the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements

## DEFINITIONS

“PRC Shareholders”	Mr. Zhu Tianxiao, Mr. Zhang Xiangrong, Mr. Ge Jian, Mr. Chen Yannan, Mr. Wei Xingfa, Mr. Yang Wuguan and Mr. Zhuo You, who are the ultimate and indirect shareholders of the Company. Except for Mr. Zhuo You, who was a non-executive director of the Company (retired on 26 May 2022), none of the other PRC Shareholders is a director or chief executive member of the Company
“Reporting Period”	the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary shares(s) in the capital of the Company with normal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Aomeishu”	Sichuan Aomeishu Technology Company Ltd* (四川奧美殊科技有限公司), a limited liability company established in the PRC on 17 July 2015, which is an indirect wholly-owned subsidiary of our Company
“Sifang Investment”	Sifang Investment Limited* (四方投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Cibeii”	Suzhou Cibeii Management Consulting Partnership (LP)* (蘇州次貝企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 16 April 2021, the Company indirectly jointly controls it
“Tongda Investment”	Tongda Investment Limited* (同達投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company with no substantial business activity
“Ultimate Shareholders”	Mr. Zhu Tianxiao (朱天曉), Mr. Zhang Xiangrong (張祥榮), Mr. Ge Jian (葛健), Mr. Chen Yannan (陳雁南), Mr. Wei Xingfa (魏興發), Mr. Yang Wuguan (楊伍官) and Mr. Zhuo You (卓有)
“Wuzhong Group”	Jiangsu Wuzhong Group Co., Ltd.* (江蘇吳中集團有限公司), a limited liability company established under the laws of the PRC on 26 May 1992, formerly known as Jiangsu Wuzhong Group Co.* (江蘇吳中集團公司)

## DEFINITIONS

- “Wuzhong Jiaye” — Jiangsu Wuzhong Jiaye Group Co., Ltd.\* (江蘇吳中嘉業集團有限公司), a limited liability company established under the laws of the PRC on 25 April 2005, formerly known as Jiangsu Wuzhong Jiaye Investment Co., Ltd.\* (江蘇吳中嘉業投資有限公司), one of the direct shareholders of the PRC Operating Entity
- “Wuzhong Real Estate” — Jiangsu Wuzhong Real Estate Group Co., Ltd.\* (江蘇吳中地產集團有限公司), a limited liability company established under the laws of the PRC on 13 August 1992, formerly known as Jiangsu Wuzhong Dongwu Property Development Co.\* (江蘇吳中東吳產業開發公司), Wuxian Dongwu Property Development Co.\* (吳縣市東吳產業開發公司), and Jiangsu Wuzhong Dongwu Property Development Co., Ltd.\* (江蘇吳中東吳產業開發有限公司)

\* For identification purpose only

In this interim report, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.