

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### HIGHLIGHTS

	For the year ended 31 December		
	2023	2022	Change
	RMB'000	RMB'000	%
<b>Operating Results</b>			
Operating income	653,131	624,474	5%
Operating cost	408,467	391,681	4%
Profit attributable to owners of the Company	46,451	41,057	13%
Basic earnings per share (expressed in RMB)	0.043	0.038	13%
	<b>As at 31 December</b>		
	2023	2022	Change
	RMB'000	RMB'000	%
<b>Financial Position</b>			
Total assets	3,300,657	2,985,146	11%
Total liabilities	1,135,039	873,816	30%
Loans to customers	2,309,546	2,107,055	10%
Cash at bank and cash on hand	142,427	309,139	-54%
Net assets	2,165,618	2,111,330	3%

The board (the “**Board**”) of directors (the “**Directors**”) of China Huirong Financial Holdings Limited (the “**Company**” or “**China Huirong**”) hereby announces the audited annual results of the Company and its subsidiaries (together, the “**Group**” or “**we**”) for the year ended 31 December 2023 (the “**Reporting Year**”) as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

*(All amounts in RMB thousands unless otherwise stated)*

	<i>Note</i>	<b>2023</b>	2022
Interest income	5	<b>279,576</b>	258,848
Sales of goods	6	<b>371,643</b>	362,766
Consultancy fee income		<b>1,004</b>	1,377
Commission fee income		<b>908</b>	1,483
<b>Operating income</b>		<b><u>653,131</u></b>	<u>624,474</u>
Interest expense	7	<b>(40,738)</b>	(31,877)
Costs of sales	6	<b>(367,729)</b>	(359,804)
<b>Operating cost</b>		<b><u>(408,467)</u></b>	<u>(391,681)</u>
Net investment gains/(losses)	8	<b>1,797</b>	(7,255)
Credit impairment losses	9	<b>(84,874)</b>	(74,712)
Net gains on derecognition of financial assets measured at amortised cost	10	—	3,787
Other operating income	11	<b>9,463</b>	3,378
<b>Net operating income</b>		<b>171,050</b>	157,991
General and administrative expenses		<b>(80,741)</b>	(73,818)
Other (losses)/gains, net	12	<b>(891)</b>	1,579
<b>Operating profit</b>		<b>89,418</b>	85,752
Share of profit of an associate accounted for using the equity method	18	<b>2,243</b>	1,716
<b>Profit before income tax</b>		<b>91,661</b>	87,468
Income tax expense	13	<b>(24,997)</b>	(27,120)
<b>Profit for the year</b>		<b><u>66,664</u></b>	<u>60,348</u>

	<i>Note</i>	<b>2023</b>	2022
<b>Profit for the year is attributable to:</b>			
— Owners of the Company		<b>46,451</b>	41,057
— Non-controlling interests		<u><b>20,213</b></u>	<u>19,291</u>
<b>Earnings per share (expressed in RMB)</b>			
— Basic earnings per share	<i>14</i>	<b>0.043</b>	0.038
— Diluted earnings per share	<i>14</i>	<u><b>0.043</b></u>	<u>0.038</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year</b>		<u><b>66,664</b></u>	<u>60,348</u>
<b>Total comprehensive income for the year is attributable to:</b>			
— Owners of the Company		<b>46,451</b>	41,057
— Non-controlling interests		<u><b>20,213</b></u>	<u>19,291</u>
		<u><b>66,664</b></u>	<u>60,348</u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(All amounts in RMB thousands unless otherwise stated)

	Note	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	53,274	54,682
Right-of-use assets	17	15,690	17,690
Investments accounted for using the equity method	18	5,374	26,005
Investment properties	19	186,473	192,969
Intangible assets		608	1,127
Loans to customers	20	206,970	258,969
Finance lease receivables	21	35,024	—
Deferred income tax assets	22(a)	93,720	85,555
Other non-current assets		<u>1,639</u>	<u>—</u>
<b>Total non-current assets</b>		<u><b>598,772</b></u>	<u>636,997</u>
<b>Current assets</b>			
Inventories		1,412	2,163
Other current assets		70,135	66,127
Commission fee receivables		15	3
Loans to customers	20	2,102,576	1,848,086
Financial assets held under resale agreement	23	200,015	—
Finance lease receivables	21	69,729	—
Financial assets at fair value through profit or loss	24	115,576	122,631
Cash at bank and cash on hand	25	<u>142,427</u>	<u>309,139</u>
<b>Total current assets</b>		<u><b>2,701,885</b></u>	<u>2,348,149</u>
<b>Total assets</b>		<u><b>3,300,657</b></u>	<u><b>2,985,146</b></u>

	<i>Note</i>	<b>2023</b>	2022
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	26	<b>8,662</b>	8,662
Share premium	27	<b>604,478</b>	604,478
Other reserves	27	<b>587,239</b>	593,122
Retained earnings	28	<b><u>682,650</u></b>	<u>666,325</u>
		<b>1,883,029</b>	1,872,587
<b>Non-controlling interests</b>		<b><u>282,589</u></b>	<u>238,743</u>
<b>Total equity</b>		<b><u><u>2,165,618</u></u></b>	<u><u>2,111,330</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	17	<b>1,325</b>	2,597
Borrowings	29	<b>351,600</b>	197,000
Deferred income tax liabilities	22(b)	<b><u>22,036</u></b>	<u>18,508</u>
<b>Total non-current liabilities</b>		<b><u>374,961</u></b>	<u>218,105</u>
<b>Current liabilities</b>			
Other current liabilities	30	<b>146,171</b>	90,835
Current income tax liabilities		<b>26,380</b>	28,127
Amounts due to related parties		<b>633</b>	633
Dividends payable		<b>2,161</b>	1,261
Lease liabilities	17	<b>2,114</b>	2,627
Borrowings	29	<b><u>582,619</u></b>	<u>532,228</u>
<b>Total current liabilities</b>		<b><u>760,078</u></b>	<u>655,711</u>
<b>Total liabilities</b>		<b><u><u>1,135,039</u></u></b>	<u><u>873,816</u></u>
<b>Total equity and liabilities</b>		<b><u><u>3,300,657</u></u></b>	<u><u>2,985,146</u></u>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(All amounts in RMB thousands unless otherwise stated)

	<u>Attributable to owners of the Company</u>				Total	Non-controlling Interests	Total equity
	Share capital (note 26)	Share premium (note 27)	Other reserves (note 27)	Retained earnings (note 28)			
<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 year	—	—	—	41,057	41,057	19,291	60,348
<b>Total comprehensive income for the year</b>	—	—	—	41,057	41,057	19,291	60,348
<b>Transactions with owners in their capacity as owners</b>							
Contributions from non-controlling interests on establishment of subsidiaries	—	—	—	—	—	3,000	3,000
Capital movement of non-controlling interests	—	—	—	—	—	3,200	3,200
Dividends declared or paid	—	—	—	(37,329)	(37,329)	(11,623)	(48,952)
<b>Total transactions with owners in their capacity as owners</b>	—	—	—	(37,329)	(37,329)	(5,423)	(42,752)
<b>At 31 December 2022</b>	<u>8,662</u>	<u>604,478</u>	<u>593,122</u>	<u>666,325</u>	<u>1,872,587</u>	<u>238,743</u>	<u>2,111,330</u>

	Attributable to owners of the Company					Total	Non-controlling Interests	Total equity
	Share capital (note 26)	Share premium (note 27)	Other reserves (note 27)	Retained earnings (note 28)				
<b>At 1 January 2023</b>	8,662	604,478	593,122	666,325	1,872,587	238,743	2,111,330	
Profit for the year	—	—	—	46,451	46,451	20,213	66,664	
<b>Total comprehensive income for the year</b>	—	—	—	46,451	46,451	20,213	66,664	
<b>Transactions with owners in their capacity as owners</b>								
Contributions from non-controlling interests on establishment of subsidiaries	—	—	—	—	—	30,000	30,000	
Capital movement of non-controlling interests	—	—	—	—	—	2,400	2,400	
Partial disposal of a subsidiary without loss of control	—	—	(5,883)	—	(5,883)	5,883	—	
Dividends declared or paid	15	—	—	(30,126)	(30,126)	(14,650)	(44,776)	
<b>Total transactions with owners in their capacity as owners</b>	—	—	(5,883)	(30,126)	(36,009)	23,633	(12,376)	
<b>At 31 December 2023</b>	<u>8,662</u>	<u>604,478</u>	<u>587,239</u>	<u>682,650</u>	<u>1,883,029</u>	<u>282,589</u>	<u>2,165,618</u>	

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(All amounts in RMB thousands unless otherwise stated)

	Note	2023	2022
<b>Cash flows from operating activities</b>			
Cash used in operating activities		(184,385)	(47,154)
Interest received from bank deposits		2,258	4,340
Interest paid		(40,678)	(30,840)
Income tax paid		<u>(31,381)</u>	<u>(28,838)</u>
<b>Net cash outflow from operating activities</b>		<u>(254,186)</u>	<u>(102,492)</u>
<b>Cash flows from investing activities</b>			
Payments for acquisition of an associate		—	(14,210)
Return of investment from an associate		19,131	5,680
Payments for property, plant and equipment		(7,258)	(9,445)
Payments for intangible assets		(31)	(101)
Payments for an investment property		(9,288)	(9,828)
Dividend from an associate		<u>2,243</u>	<u>1,716</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>4,797</u>	<u>(26,188)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,132,150	1,067,120
Repayments of borrowings		(927,000)	(934,300)
Repayments of lease liabilities		(3,756)	(3,074)
Capital contributions of non-controlling interests		32,400	10,200
Dividends paid to owners of the Company		(30,126)	(37,329)
Dividends paid to non-controlling interests		<u>(13,750)</u>	<u>(13,040)</u>
<b>Net cash inflow from financing activities</b>		<u>189,918</u>	<u>89,577</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(59,471)</b>	<b>(39,103)</b>
Cash and cash equivalents at beginning of year		196,805	234,781
Effects of exchange rate changes on cash and cash equivalents		<u>(60)</u>	<u>1,127</u>
<b>Cash and cash equivalents at end of year</b>	25	<u><u>137,274</u></u>	<u><u>196,805</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 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”).

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

### 2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements of the Group. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1. Basis of preparation

(a) *Compliance with Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of Hong Kong Companies Ordinance*

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

(b) *Historical cost convention*

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and an investment property which are measured at fair value.

**(c) *New and amended standards adopted***

The Group has applied the following new and amendments to HKFRSs for the first time, which are mandatorily effective for the annual reporting period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

- HKFRS 17 — Insurance Contracts
- Amendments to HKAS 8 — Definition of Accounting Estimates
- Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to HKAS 12 — International Tax Reform — Pillar Two Model Rules
- Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or the disclosures set out in these consolidated financial statements.

**(d) *New standards and interpretations not yet adopted***

Certain new amendments to HKFRSs and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group, of which details are set out below. These amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

- Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current
- Amendments to HKAS 1 — Non-current Liabilities with Covenants
- Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback
- Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements
- Amendments to HKAS 21 — Lack of Exchangeability
- Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

### 3. 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. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgements referred to below.

#### 3.1 Critical accounting estimates

##### (a) *Measurement of ECL allowances*

The measurement of the expected credit loss (“ECL”) allowances for financial assets measured at amortised cost is an area that requires the use of ECL models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL allowances, such as:

- determination of relevant key models and parameters;
- criteria for determining whether or not there was a significant increase in credit risk and definition of default or credit impairment;
- estimated future cash flows for loans to customers that the discounted cash flow model is used to calculate ECL allowances;
- economic variables for forward-looking measurement, and the application of economic scenarios and relative weightings.

##### (b) *Fair value of investment properties*

The fair value of investment properties are determined by using valuation techniques. Observable inputs are used at arm’s length. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. Changes in assumptions about these factors could affect reported fair value of investment properties.

##### (c) *Income taxes*

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes in various jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

## 3.2 Critical accounting judgements

### (a) *Contractual agreements*

Under the relevant rules and regulations prevailing in the PRC, wholly foreign-owned enterprises are not allowed to operate pawn-loan business in China. The current registered owners of Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司) (“**Wuzhong Pawnshop**”) are Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) (“**Wuzhong Jiaye**”) and Suzhou New District Hengyue Management Consulting Co., Ltd. (蘇州新區恆悅管理諮詢有限公司) (“**Hengyue Consulting**”). The Group’s wholly owned subsidiary Suzhou Huifang Tongda Information Technology Company Limited (蘇州匯方同達信息科技有限公司) (“**Huifang Tongda**”) entered into a series of contractual agreements with Wuzhong Pawnshop, Wuzhong Jiaye, Hengyue Consulting and the owners of Wuzhong Jiaye and Hengyue Consulting (the “Contractual Agreements”). The Contractual Agreements include: (i) a proxy agreement where Wuzhong Jiaye and Hengyue Consulting have irrevocably and unconditionally undertaken to authorise Huifang Tongda to exercise their shareholders’ rights under the articles of association of the Wuzhong Pawnshop and applicable PRC laws and regulations; (ii) an exclusive management and consultation service agreement pursuant to which Wuzhong Pawnshop engaged Huifang Tongda on an exclusive basis to provide consultation and other ancillary services, and in return Wuzhong Pawnshop agreed to pay Huifang Tongda the consultancy service fee; (iii) exclusive call option agreement pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Tongda an option to acquire the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in Wuzhong Pawnshop and/or all assets of Wuzhong Pawnshop at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations; and (iv) equity pledge agreement pursuant to which the Ultimate Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda for guaranteeing the performance of the above the proxy agreement, exclusive management and consultation service agreement, and the exclusive call option agreement. Pursuant to these agreements and undertakings, notwithstanding the fact that the Company does not hold direct equity interest in Wuzhong Pawnshop, management considers that the Company has power over the financial and operating policies of Wuzhong Pawnshop and receives a majority of the economic benefits from business activities of Wuzhong Pawnshop. Accordingly, Wuzhong Pawnshop has been treated as an indirect subsidiary of the Company.

### (b) *Principal versus agent consideration*

The Group engages in trading of electronic products and daily groceries. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

#### **4. SEGMENT INFORMATION**

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

The Group manages its business under two operating and reportable segments for the years ended 31 December 2023 and 2022.

##### **(a) Business segments**

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

Inclusive finance business division:

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

Ecology finance business division:

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

##### **(b) Segment analysis**

The profit or loss before income tax for each reportable segment including incomes and expenses from external transactions and from transactions with other segments, and other items in the 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.

<b>For the year ended 31 December 2023</b>					
	<b>Inclusive finance business division</b>	<b>Ecology finance business division</b>	<b>Headquarters and others</b>	<b>Elimination</b>	<b>Total</b>
External operating income	220,150	418,261	14,720	—	653,131
Internal operating income	442	708	12,701	(13,851)	—
External operating cost	(10,828)	(375,241)	(22,398)	—	(408,467)
Internal operating cost	(6,287)	(5,858)	—	12,145	—
Net investment gains/(losses)	—	6,383	(4,586)	—	1,797
Credit impairment losses	(77,575)	(7,137)	(162)	—	(84,874)
Other operating income/(expenses)	586	5,500	11,744	(8,367)	9,463
General and administrative expenses	(37,508)	(8,693)	(44,613)	10,073	(80,741)
Other (losses)/gains, net	(1,106)	—	215	—	(891)
Share of profit of an associate accounted for using the equity method	—	2,243	—	—	2,243
<b>Profit/(loss) before income tax</b>	<b><u>87,874</u></b>	<b><u>36,166</u></b>	<b><u>(32,379)</u></b>	<b><u>—</u></b>	<b><u>91,661</u></b>
<b>Capital expenditure</b>	<b><u>(1,470)</u></b>	<b><u>(27)</u></b>	<b><u>(9,416)</u></b>	<b><u>—</u></b>	<b><u>(10,913)</u></b>
<b>As at 31 December 2023</b>					
	<b>Inclusive finance business division</b>	<b>Ecology finance business division</b>	<b>Headquarters and others</b>	<b>Elimination</b>	<b>Total</b>
Segment assets	1,631,667	1,208,238	461,597	(845)	3,300,657
Segment liabilities	<u>(276,529)</u>	<u>(507,296)</u>	<u>(352,144)</u>	<u>930</u>	<u>(1,135,039)</u>

For the year ended 31 December 2022

	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	214,715	396,436	13,323	—	624,474
Internal operating income	532	2,072	13,236	(15,840)	—
External operating cost	(7,989)	(366,283)	(17,409)	—	(391,681)
Internal operating cost	(6,796)	(7,484)	(434)	14,714	—
Net investment gains/(losses)	—	2,763	(10,018)	—	(7,255)
Credit impairment losses	(63,133)	(2,080)	(9,499)	—	(74,712)
Net gains on derecognition of financial assets measured at amortised cost	3,787	—	—	—	3,787
Other operating income/(expenses)	145	640	6,013	(3,420)	3,378
General and administrative expenses	(29,605)	(5,976)	(42,783)	4,546	(73,818)
Other (loss)/gains, net	(1,595)	(25)	3,199	—	1,579
Share of profit of an associate accounted for using the equity method	—	1,716	—	—	1,716
<b>Profit/(loss) before income tax</b>	<b><u>110,061</u></b>	<b><u>21,779</u></b>	<b><u>(44,372)</u></b>	<b><u>—</u></b>	<b><u>87,468</u></b>
<b>Capital expenditure</b>	<b><u>(1,633)</u></b>	<b><u>(370)</u></b>	<b><u>(11,142)</u></b>	<b><u>—</u></b>	<b><u>(13,145)</u></b>

As at 31 December 2022

	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>	<b><u>(197,245)</u></b>	<b><u>(200,191)</u></b>	<b><u>(480,906)</u></b>	<b><u>4,526</u></b>	<b><u>(873,816)</u></b>

## 5. INTEREST INCOME

	2023	2022
Interest income from loans to customers		
— Secured loans	169,734	159,305
— Unsecured loans	94,317	95,003
Interest income from financial assets held under resale agreement	8,250	—
Interest income from finance leases	5,679	—
Interest income from bank deposits	<u>1,596</u>	<u>4,540</u>
	<u>279,576</u>	<u>258,848</u>

## 6. SALES OF GOODS AND COSTS OF SALES

The goods sold mainly contain electronic products and daily groceries.

## 7. INTEREST EXPENSE

	2023	2022
Interest expense on bank borrowings	26,718	28,765
Interest expense on borrowings from non-bank financial institutions	6,117	2,125
Other interest expenses	<u>7,903</u>	<u>987</u>
	<u>40,738</u>	<u>31,877</u>

## 8. NET INVESTMENT GAINS/(LOSSES)

	2023	2022
Fair value gains on financial assets at FVPL	8,969	2,881
Cash dividend of listed equity securities	159	330
Net gains on disposal of financial assets at fair value	665	263
Fair value losses on investment properties	(6,496)	(10,729)
Impairment loss on investment in an associate	<u>(1,500)</u>	<u>—</u>
	<u>1,797</u>	<u>(7,255)</u>

## 9. CREDIT IMPAIRMENT LOSSES

	2023	2022
Credit impairment losses on loans to customers	77,699	76,395
Credit impairment losses on other current assets	82	190
Credit impairment losses on financial guarantees	—	(1,873)
Credit impairment losses on finance lease receivables	3,266	—
Credit impairment losses on financial assets held under resale agreement	<u>3,827</u>	<u>—</u>
	<u>84,874</u>	<u>74,712</u>

## 10. NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

For the year ended 31 December 2022, the Group disposed loans to customers with carrying amount of RMB62.8 million to third parties for considerations of RMB66.6 million. The difference between the consideration and the carrying amount is recognised as net gains on derecognition of financial assets measured at amortised cost.

## 11. OTHER OPERATING INCOME

	2023	2022
Rental income	8,353	3,165
Government grant	120	41
Others	<u>990</u>	<u>172</u>
	<u>9,463</u>	<u>3,378</u>

## 12. OTHER (LOSSES)/GAINS, NET

	2023	2022
Net foreign currency gains	223	3,125
Net losses from disposal of repossessed assets	<u>(1,114)</u>	<u>(1,546)</u>
	<u>(891)</u>	<u>1,579</u>

### 13. INCOME TAX EXPENSE

#### (a) Income tax expense

	2023	2022
Current income tax	29,634	26,712
Deferred income tax	<u>(4,637)</u>	<u>408</u>
	<u><u>24,997</u></u>	<u><u>27,120</u></u>

The difference between the income tax expense in the 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:

	2023	2022
Profit before income tax	<u>91,661</u>	<u>87,468</u>
Tax calculated at domestic tax rates applicable to profits in the respective areas	23,200	22,699
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	294	280
— Cash dividends of listed equity securities	(41)	(83)
— Sundry items	<u>398</u>	<u>(791)</u>
Subtotal	651	(594)
Unused tax losses for which no deferred income tax asset has been recognised	984	1,364
Previously unrecognised tax losses now recouped to reduce current income tax expense	(1,433)	(354)
Adjustments for current income tax of prior years	(82)	105
PRC withholding tax	<u>1,677</u>	<u>3,900</u>
Income tax expense	<u><u>24,997</u></u>	<u><u>27,120</u></u>

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

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

The applicable Hong Kong profits tax rate is 16.5% (2022: 16.5%) on the assessable profits earned or derived in Hong Kong.

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% (2022: 25%) on the estimated assessable profits based on existing legislations, interpretations and practices.

For small and micro enterprises with annual taxable income less than RMB1 million, the income tax provision is calculated at the applicable corporate tax rate of 20% (2022: 20%) on 25% (2022: 12.5%) 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% (2022: 5%) withholding tax is levied on the dividends declared to the investors certified as Hong Kong resident enterprises from companies established in Mainland China and a 10% (2022: 10%) withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China.

**(b) Tax losses for the year**

	2023	2022
Unused tax losses for which no deferred tax asset has been recognised at 25%	133	488
Unused tax losses for which no deferred tax asset has been recognised at 16.5%	<u>5,762</u>	<u>7,527</u>
Unused tax losses for which no deferred tax asset has been recognised	<u>5,895</u>	<u>8,015</u>
Potential tax benefit at 25%	33	122
Potential tax benefit at 16.5%	<u>951</u>	<u>1,242</u>
Potential tax benefit	<u>984</u>	<u>1,364</u>

**14. EARNINGS PER SHARE**

**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Profit attributable to owners of the Company	46,451	41,057
Weighted average number of ordinary shares in issue (in thousands)	<u>1,090,335</u>	<u>1,090,335</u>
Basic earnings per share (RMB)	<u>0.043</u>	<u>0.038</u>

**(b) Diluted earnings per share**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no category of dilutive potential ordinary shares for the year ended 31 December 2023.

	2023	2022
Profit attributable to owners of the Company	46,451	41,057
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands) (note (i))	<u>1,090,335</u>	<u>1,090,335</u>
Dilutive earnings per share (RMB)	<u>0.043</u>	<u>0.038</u>

Note:

(i) Weighted average number of shares used as the denominator

	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (in thousands)	1,090,335	1,090,335
Adjustments for calculation of diluted earnings per share:		
Options (in thousands)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands) (note 26)	<u>1,090,335</u>	<u>1,090,335</u>

**15. DIVIDENDS**

A final dividend in respect of the year ended 31 December 2023 of HK\$0.02 per share, amounting to a total dividend of HK\$21.8 million (equivalent to RMB19.8 million), is to be proposed at the 2023 annual general meeting. These consolidated financial statements do not reflect this dividend payable.

A final dividend of HK\$0.03 per ordinary share in respect of the year ended 31 December 2022 was declared at the annual general meetings of the Company held on 12 June 2023. 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 RMB30.1 million) was paid out of the retained earnings account by the Company on 7 July 2023.

	2023	2022
Proposed final dividend	<u>19,761</u>	<u>29,220</u>

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Vehicles	Electronics and other equipment	Total
<b>Cost</b>				
At 1 January 2023	51,484	367	8,618	60,469
Additions	—	253	1,341	1,594
Disposals	—	—	(1,989)	(1,989)
	<u>—</u>	<u>—</u>	<u>(1,989)</u>	<u>(1,989)</u>
At 31 December 2023	<b><u>51,484</u></b>	<b><u>620</u></b>	<b><u>7,970</u></b>	<b><u>60,074</u></b>
<b>Accumulated depreciation</b>				
At 1 January 2023	(901)	(109)	(4,777)	(5,787)
Additions	(949)	(143)	(1,811)	(2,903)
Disposals	—	—	1,890	1,890
	<u>—</u>	<u>—</u>	<u>1,890</u>	<u>1,890</u>
At 31 December 2023	<b><u>(1,850)</u></b>	<b><u>(252)</u></b>	<b><u>(4,698)</u></b>	<b><u>(6,800)</u></b>
<b>Carrying amount</b>				
At 31 December 2023	<b><u>49,634</u></b>	<b><u>368</u></b>	<b><u>3,272</u></b>	<b><u>53,274</u></b>
At 31 December 2022	<b><u>50,583</u></b>	<b><u>258</u></b>	<b><u>3,841</u></b>	<b><u>54,682</u></b>

## 17. LEASES

### Amounts recognised in the consolidated statement of financial position

	2023	2022
<b>Right-of-use assets</b>		
Land-use rights ( <i>note (i)</i> )	11,916	12,259
Property	<u>3,774</u>	<u>5,431</u>
	<b><u>15,690</u></b>	<b><u>17,690</u></b>
<b>Lease liabilities</b>		
Current	2,114	2,627
Non-current	<u>1,325</u>	<u>2,597</u>
	<b><u>3,439</u></b>	<b><u>5,224</u></b>

Note:

- (i) As at 31 December 2023, land-use rights are pledged with banks to secure non-current bank borrowings with principal amount of RMB189.0 million (2022: RMB197.0 million) (note 29(a)).

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

	<b>Land-use rights</b>	<b>Properties</b>	<b>Total</b>
<b>Cost</b>			
At 1 January 2023	15,246	20,667	35,913
Additions	—	1,929	1,929
Deductions	<u>—</u>	<u>(6,183)</u>	<u>(6,183)</u>
At 31 December 2023	<u><b>15,246</b></u>	<u><b>16,413</b></u>	<u><b>31,659</b></u>
<b>Accumulated depreciation</b>			
At 1 January 2023	(2,987)	(15,236)	(18,223)
Additions	(343)	(3,096)	(3,439)
Deductions	<u>—</u>	<u>5,693</u>	<u>5,693</u>
At 31 December 2023	<u><b>(3,330)</b></u>	<u><b>(12,639)</b></u>	<u><b>(15,969)</b></u>
<b>Carrying amount</b>			
At 31 December 2023	<u><b>11,916</b></u>	<u><b>3,774</b></u>	<u><b>15,690</b></u>
At 31 December 2022	<u><b>12,259</b></u>	<u><b>5,431</b></u>	<u><b>17,690</b></u>

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

## 18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2023	2022
<b>At 1 January</b>	<b>26,005</b>	17,475
Additions	—	14,210
Deductions	<b>(19,131)</b>	(5,680)
Impairment loss	<b>(1,500)</b>	—
Profit for the year	<b>2,243</b>	1,716
Dividends received	<u><b>(2,243)</b></u>	<u>(1,716)</u>
<b>At 31 December</b>	<u><b>5,374</b></u>	<u><b>26,005</b></u>

## 19. INVESTMENT PROPERTIES

	2023		
	Zhonghui Financial Building (note (i))	Other	Total
<b>At fair value</b>			
<b>At 1 January</b>	<b>191,289</b>	<b>1,680</b>	<b>192,969</b>
Net losses from fair value adjustment	<u>(6,496)</u>	<u>—</u>	<u>(6,496)</u>
<b>At 31 December</b>	<b><u>184,793</u></b>	<b><u>1,680</u></b>	<b><u>186,473</u></b>
		2022	
	Zhonghui Financial Building (note (i))	Other	Total
<b>At fair value</b>			
<b>At 1 January</b>	202,018	1,680	203,698
Net losses from fair value adjustment	<u>(10,729)</u>	<u>—</u>	<u>(10,729)</u>
<b>At 31 December</b>	<b><u>191,289</u></b>	<b><u>1,680</u></b>	<b><u>192,969</u></b>

*Note:*

- (i) As at 31 December 2023, the investment property is pledged with a bank to secure non-current bank borrowings with principal amount of RMB189.0 million (2022: RMB197.0 million) (note 29(a)).

## 20. LOANS TO CUSTOMERS

	2023	2022
<b>Non-current</b>		
Loans to customers, gross		
Unsecured loans	211,344	264,828
— <i>Guaranteed loans</i>	211,344	262,538
— <i>Other unsecured loans</i>	—	2,290
Less: ECL allowances	<u>(4,374)</u>	<u>(5,859)</u>
Loans to customers, net	<u>206,970</u>	<u>258,969</u>
<b>Current</b>		
Loans to customers, gross		
Secured loans	1,842,019	1,617,499
— <i>Real estate backed loans</i>	1,536,177	1,409,990
— <i>Movable property backed loans</i>	305,842	207,509
Unsecured loans	1,050,815	940,587
— <i>Equity interest backed loans</i>	373,041	461,471
— <i>Guaranteed loans</i>	293,917	233,014
— <i>Other unsecured loans</i>	383,857	246,102
	<u>2,892,834</u>	<u>2,558,086</u>
Less: ECL allowances		
Secured loans	(525,812)	(491,743)
Unsecured loans	<u>(264,446)</u>	<u>(218,257)</u>
	<u>(790,258)</u>	<u>(710,000)</u>
Loans to customers, net	<u>2,102,576</u>	<u>1,848,086</u>

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

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.0% to 24.0% per annum in the year ended 31 December 2023 (2022: same). Movable property backed loans granted to customers bear fixed interest rates from 8.0% to 54.0% per annum for the year ended 31 December 2023 (2022: same). Guaranteed loans granted to customers bear fixed interest rates from 5.5% to 18.0% per annum in the year ended 31 December 2023 (2022: same). Other unsecured loans granted to customers bear fixed interest rates from 8.0% to 16.0% per annum (2022: from 3.8% to 17.0% per annum) in the year ended 31 December 2023.

As at 31 December 2023, renewed loans amounted to RMB342.2 million (2022: RMB245.8 million), which include real estate backed loans, equity interest backed loans and guaranteed loans (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 is set out below:

		2023		2022
	Secured loans	Unsecured loans	Total	Total
<b>Non-current</b>				
Within 3 months	—	37,224	37,224	12,073
3–6 months	—	13,747	13,747	46,877
6–12 months	—	79,549	79,549	25,448
12–24 months	—	48,676	48,676	130,544
Over 24 months	—	27,774	27,774	44,027
	<u>—</u>	<u>206,970</u>	<u>206,970</u>	<u>258,969</u>
	Secured loans	Unsecured loans	Total	Total
<b>Current</b>				
Within 3 months	274,674	203,631	478,305	444,456
3–6 months	296,519	203,471	499,990	440,933
6–12 months	302,958	132,577	435,535	476,308
12–24 months	99,000	26,614	125,614	69,884
Over 24 months	6,273	126,092	132,365	42,207
Past due ( <i>note (i)</i> )	<u>336,783</u>	<u>93,984</u>	<u>430,767</u>	<u>374,298</u>
	<u>1,316,207</u>	<u>786,369</u>	<u>2,102,576</u>	<u>1,848,086</u>

*Note:*

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

		2023		2022
	Secured loans	Unsecured loans	Total	Total
<b>Current</b>				
Past due within three months	27,713	84,948	112,661	40,873
Past due between three months and one year	40,160	1,765	41,925	35,161
Past due between one year and three years	10,738	6,224	16,962	13,630
Past due over three years	<u>258,172</u>	<u>1,047</u>	<u>259,219</u>	<u>284,634</u>
	<u>336,783</u>	<u>93,984</u>	<u>430,767</u>	<u>374,298</u>

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

The following tables explain the changes in loss allowances during the reporting period due to these factors:

	2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Non-current — unsecured loans</b>				
<b>At 31 December 2022</b>	<b>5,859</b>	<b>—</b>	<b>—</b>	<b>5,859</b>
New loans to customers originated	2,882	—	—	2,882
Changes in PDs/LGDs/EADs	(620)	—	—	(620)
Loans to customers derecognised during the year other than write-offs	<u>(3,747)</u>	<u>—</u>	<u>—</u>	<u>(3,747)</u>
<b>At 31 December 2023</b>	<b><u>4,374</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>4,374</u></b>
	2023			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
<b>Current — secured loans</b>				
<b>At 31 December 2022</b>	<b>9,893</b>	<b>2,172</b>	<b>479,678</b>	<b>491,743</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(1,582)	23,285	—	21,703
<i>Transfers from Stage 2 to Stage 3</i>	—	(17,238)	59,020	41,782
New loans to customers originated	14,286	—	—	14,286
Changes in PDs/LGDs/EADs	(8,621)	(407)	(5,783)	(14,811)
Unwinding of discount	—	—	12,327	12,327
Loans to customers derecognised during the year other than write-offs	<u>(4,652)</u>	<u>(6,261)</u>	<u>(30,305)</u>	<u>(41,218)</u>
<b>At 31 December 2023</b>	<b><u>9,324</u></b>	<b><u>1,551</u></b>	<b><u>514,937</u></b>	<b><u>525,812</u></b>

	2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — unsecured loans</b>				
<b>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>(2,467)</b>	<b>15,213</b>	<b>—</b>	<b>12,746</b>
<i>Transfers from Stage 2 to Stage 3</i>	<b>—</b>	<b>(12,913)</b>	<b>44,402</b>	<b>31,489</b>
New loans to customers originated	<b>182,789</b>	<b>—</b>	<b>—</b>	<b>182,789</b>
Changes in PDs/LGDs/EADs	<b>(8,246)</b>	<b>1,942</b>	<b>5,027</b>	<b>(1,277)</b>
Unwinding of discount	<b>—</b>	<b>—</b>	<b>576</b>	<b>576</b>
Loans to customers derecognised during the year other than write-offs	<b>(163,584)</b>	<b>(9,933)</b>	<b>(1,617)</b>	<b>(175,134)</b>
Write-offs	<b>—</b>	<b>—</b>	<b>(5,000)</b>	<b>(5,000)</b>
<b>At 31 December 2023</b>	<b><u>28,391</u></b>	<b><u>2,588</u></b>	<b><u>233,467</u></b>	<b><u>264,446</u></b>
	2022			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
<b>Non-current — unsecured loans</b>				
<b>At 31 December 2021</b>	<b>4,549</b>	<b>—</b>	<b>—</b>	<b>4,549</b>
New loans to customers originated	<b>1,417</b>	<b>—</b>	<b>—</b>	<b>1,417</b>
Changes in PDs/LGDs/EADs	<b>199</b>	<b>—</b>	<b>—</b>	<b>199</b>
Loans to customers derecognised during the year other than write-offs	<b>(306)</b>	<b>—</b>	<b>—</b>	<b>(306)</b>
<b>At 31 December 2022</b>	<b><u>5,859</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>5,859</u></b>

	2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — secured loans</b>				
<b>At 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	<u>(10,061)</u>	<u>(4,713)</u>	<u>(34,525)</u>	<u>(49,299)</u>
<b>At 31 December 2022</b>	<u>9,893</u>	<u>2,172</u>	<u>479,678</u>	<u>491,743</u>

	2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — unsecured loans</b>				
<b>At 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	<u>(156,156)</u>	<u>(4)</u>	<u>(35,699)</u>	<u>(191,859)</u>
<b>At 31 December 2022</b>	<u>19,899</u>	<u>8,279</u>	<u>190,079</u>	<u>218,257</u>

(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:

	2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Non-current — unsecured loans</b>				
<b>At 31 December 2022</b>	<b>264,828</b>	<b>—</b>	<b>—</b>	<b>264,828</b>
Loans to customers derecognised during the year other than write-offs	(180,850)	—	—	(180,850)
New loans to customers originated	127,900	—	—	127,900
Changes in interest accrual	<u>(534)</u>	<u>—</u>	<u>—</u>	<u>(534)</u>
<b>At 31 December 2023</b>	<b><u>211,344</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>211,344</u></b>
	2023			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
<b>Current — secured loans</b>				
<b>At 31 December 2022</b>	<b>800,972</b>	<b>11,057</b>	<b>805,470</b>	<b>1,617,499</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(143,981)	143,981	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(104,832)	104,832	—
Loans to customers derecognised during the year other than write-offs	(875,002)	(42,639)	(84,347)	(1,001,988)
New loans to customers originated	1,207,202	—	—	1,207,202
Changes in interest accrual	<u>3,675</u>	<u>(51)</u>	<u>15,682</u>	<u>19,306</u>
<b>At 31 December 2023</b>	<b><u>992,866</u></b>	<b><u>7,516</u></b>	<b><u>841,637</u></b>	<b><u>1,842,019</u></b>

	2023			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Current — unsecured loans</b>				
<b>At 31 December 2022</b>	<b>718,359</b>	<b>24,516</b>	<b>197,712</b>	<b>940,587</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<b>(85,332)</b>	<b>85,332</b>	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	<b>(69,177)</b>	<b>69,177</b>	—
Loans to customers derecognised during the year other than write-offs	<b>(5,751,066)</b>	<b>(30,000)</b>	<b>(8,113)</b>	<b>(5,789,179)</b>
New loans to customers originated	<b>5,907,195</b>	—	—	<b>5,907,195</b>
Changes in interest accrual	<b>1,998</b>	<b>(2,849)</b>	<b>(1,877)</b>	<b>(2,728)</b>
Write-offs	—	—	<b>(5,000)</b>	<b>(5,000)</b>
Foreign exchange and other movements	—	—	<b>(60)</b>	<b>(60)</b>
<b>At 31 December 2023</b>	<b><u>791,154</u></b>	<b><u>7,822</u></b>	<b><u>251,839</u></b>	<b><u>1,050,815</u></b>
	2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Non-current — unsecured loans</b>				
<b>At 31 December 2021</b>	<b>207,542</b>	—	—	<b>207,542</b>
Loans to customers derecognised during the year other than write-offs	<b>(29,000)</b>	—	—	<b>(29,000)</b>
New loans to customers originated	<b>86,050</b>	—	—	<b>86,050</b>
Changes in interest accrual	<b>236</b>	—	—	<b>236</b>
<b>At 31 December 2022</b>	<b><u>264,828</u></b>	—	—	<b><u>264,828</u></b>

	2022			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
<b>Current — secured loans</b>				
<b>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	<u>(3,501)</u>	<u>(1,055)</u>	<u>55,467</u>	<u>50,911</u>
<b>At 31 December 2022</b>	<u>800,972</u>	<u>11,057</u>	<u>805,470</u>	<u>1,617,499</u>

	2022			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
<b>Current — unsecured loans</b>				
<b>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
Foreign exchange and other movements	<u>1,968</u>	<u>—</u>	<u>454</u>	<u>2,422</u>
<b>At 31 December 2022</b>	<u>718,359</u>	<u>24,516</u>	<u>197,712</u>	<u>940,587</u>

## 21. FINANCE LEASE RECEIVABLES

	2023	2022
Undiscounted lease payments are analysed as:		
Recoverable after 12 months	39,162	—
Recoverable within 12 months	<u>78,069</u>	<u>—</u>
	<u><u>117,231</u></u>	<u><u>—</u></u>

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

	2023	2022
Less than one year	78,069	—
One to two years	26,063	—
Two to three years	<u>13,099</u>	<u>—</u>
Total undiscounted lease payments	117,231	—
Less: Unearned finance income	<u>(9,212)</u>	<u>—</u>
	108,019	—
Less: ECL allowances	<u>(3,266)</u>	<u>—</u>
Net investments in finance leases	<u><u>104,753</u></u>	<u><u>—</u></u>
Analysed as:		
Non-current	35,024	—
Current	<u>69,729</u>	<u>—</u>
	<u><u>104,753</u></u>	<u><u>—</u></u>

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

The Group entered into finance leases as a lessor for certain equipment and machinery to its lessees. The term of finance leases entered into ranges from 1 to 3 years (2022: Not applicable).

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

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

The average effective interest rate contracted is 13.94% per annum.

The Group commenced its financial leasing business during the year ended 31 December 2023, resulting in the emergence of net investments in finance leases of RMB104.8 million as at 31 December 2023.

## 22. DEFERRED INCOME TAX

### (a) Deferred income tax assets

	2023	2022
<b>The balance comprises temporary differences attributable to:</b>		
ECL allowances charge on financial assets	93,879	85,525
Net losses from financial instruments at FVPL	—	981
Recoverable tax losses	<u>3,522</u>	<u>6,151</u>
Total deferred income tax assets	<u>97,401</u>	<u>92,657</u>
Offsetting of deferred income tax liabilities pursuant to off-setting provisions	<u>(3,681)</u>	<u>(7,102)</u>
Net deferred income tax assets	<u><u>93,720</u></u>	<u><u>85,555</u></u>

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	ECL allowances charge on financial assets	Net losses from financial instruments at FVPL	Recoverable tax losses	Total
<b>At 1 January 2022</b>	87,048	2,944	5,068	95,060
(Charged)/credited to the consolidated statement of comprehensive income	<u>(1,523)</u>	<u>(1,963)</u>	<u>1,083</u>	<u>(2,403)</u>
<b>At 31 December 2022</b>	<u>85,525</u>	<u>981</u>	<u>6,151</u>	<u>92,657</u>
<b>At 1 January 2023</b>	85,525	981	6,151	92,657
Credited/(charged) to the consolidated statement of comprehensive income	<u>8,354</u>	<u>(981)</u>	<u>(2,629)</u>	<u>4,744</u>
<b>At 31 December 2023</b>	<u><u>93,879</u></u>	<u><u>—</u></u>	<u><u>3,522</u></u>	<u><u>97,401</u></u>

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

(b) **Deferred income tax liabilities**

	2023	2022
<b>The balance comprises temporary differences attributable to:</b>		
Net gains from investment properties	23,300	24,925
Net gains from financial instruments at FVPL	<u>2,417</u>	<u>685</u>
Total deferred income tax liabilities	<u>25,717</u>	<u>25,610</u>
Offsetting of deferred income tax assets pursuant to off-setting provisions	<u>(3,681)</u>	<u>(7,102)</u>
Net deferred income tax liabilities	<u><u>22,036</u></u>	<u><u>18,508</u></u>

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Net gains from investment properties	Net gains from financial instruments at FVPL	Total
<b>At 1 January 2022</b>	27,605	—	27,605
(Credited)/charged to the consolidated statement of comprehensive income	<u>(2,680)</u>	<u>685</u>	<u>(1,995)</u>
<b>At 31 December 2022</b>	<u>24,925</u>	<u>685</u>	<u>25,610</u>
<b>At 1 January 2023</b>	24,925	685	25,610
(Credited)/charged to the consolidated statement of comprehensive income	<u>(1,625)</u>	<u>1,732</u>	<u>107</u>
<b>At 31 December 2023</b>	<u><u>23,300</u></u>	<u><u>2,417</u></u>	<u><u>25,717</u></u>

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

**23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT**

	2023	2022
Financial assets held under resale agreement, gross	203,842	—
Less: ECL allowances	<u>(3,827)</u>	<u>—</u>
Financial assets held under resale agreement, net	<u><u>200,015</u></u>	<u><u>—</u></u>

**24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2023	2022
Equity securities	95,148	72,129
Structured deposits ( <i>notes (a), (b)</i> )	<u>20,428</u>	<u>50,502</u>
	<u><u>115,576</u></u>	<u><u>122,631</u></u>

*Notes:*

- (a) The interest rates of structured deposits are correlated to the foreign exchange rates agreed with respective banks.
- (b) As at 31 December 2023, structured deposits with principal amount of RMB20.0 million (2022: RMB49.5 million) have been pledged with a bank to secure borrowings with principal amount of RMB20.0 million (2022: RMB49.5 million) (note 29(b)).

**25. CASH AT BANK AND CASH ON HAND**

	2023	2022
Cash on hand	1,632	1,143
Demand deposits with banks	135,040	194,818
Deposits with securities company	602	844
Interest receivable from bank deposits	513	2,258
Term deposits with banks with original maturities over 3 months, net	4,640	110,076
<i>Term deposits with banks with original maturities over 3 months, gross</i>	4,804	110,240
<i>Less: ECL allowances</i>	<u>(164)</u>	<u>(164)</u>
	<u><u>142,427</u></u>	<u><u>309,139</u></u>

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

	2023	2022
RMB	138,198	299,772
USD	3,687	6,835
HKD	<u>542</u>	<u>2,532</u>
	<u><u>142,427</u></u>	<u><u>309,139</u></u>

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

	2023	2022
Cash at bank and cash on hand	142,427	309,139
Less: Interest receivable from bank deposits	(513)	(2,258)
Unrestricted (2022: restricted) term deposits pledged with banks with original maturities over 3 months	<u>(4,640)</u>	<u>(110,076)</u>
	<u><u>137,274</u></u>	<u><u>196,805</u></u>

As at 31 December 2023, restricted term deposits of RMB Nil (2022: RMB110.1 million) are pledged with banks to secure bank borrowings with principal amount of RMB Nil (2022: RMB105.0 million) (note 29(b)).

## 26. SHARE CAPITAL

	Number of shares	Ordinary shares HKD	Ordinary shares RMB
<b>Issued and fully paid</b>			
As at 31 December 2023	<u><u>1,090,335,000</u></u>	<u><u>10,903,350</u></u>	<u><u>8,662,017</u></u>
As at 31 December 2022	<u><u>1,090,335,000</u></u>	<u><u>10,903,350</u></u>	<u><u>8,662,017</u></u>

There are no movements in ordinary shares during the year.

## 27. SHARE PREMIUM AND OTHER RESERVES

	Other reserves					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	
At 1 January 2022, 31 December 2022 and 1 January 2023	604,478	504,457	77,715	4,417	6,533	1,197,600
Issue of shares under employee share scheme (note ((a)))	—	—	—	—	—	—
Disposal of a subsidiary without loss of control	—	(5,883)	—	—	—	(5,883)
At 31 December 2023	<u>604,478</u>	<u>498,574</u>	<u>77,715</u>	<u>4,417</u>	<u>6,533</u>	<u>1,191,717</u>

Note:

### (a) Share-based payments

The Group approved on 13 September 2016 to grant of 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 expired on 12 September 2021. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the years ended 31 December 2023 and 2022, no ordinary shares are issued by the Company in connection with share-based payments scheme.

## 28. RETAINED EARNINGS

	2023	2022
At 1 January	666,325	662,597
Profit for the year attributable to owners of the Company	46,451	41,057
Dividends provided for or paid	<u>(30,126)</u>	<u>(37,329)</u>
At 31 December	<u>682,650</u>	<u>666,325</u>

## 29. BORROWINGS

	2023	2022
<b>Non-current</b>		
Bank borrowings ( <i>note (a)</i> )	<u>351,600</u>	<u>197,000</u>
<b>Current</b>		
Bank borrowings ( <i>note (b)</i> )	300,654	402,128
Borrowings from other companies ( <i>note (c)</i> )	92,115	52,000
Borrowings from micro-finance companies ( <i>note (d)</i> )	110,000	45,500
Borrowings from the Group's employees ( <i>note (e)</i> )	<u>79,850</u>	<u>32,600</u>
	<u>582,619</u>	<u>532,228</u>
	<u>934,219</u>	<u>729,228</u>

The Group's borrowings are all denominated in RMB.

### Notes:

- (a) As at 31 December 2023 and 2022, non-current bank borrowing with principal amount of RMB189.0 million (2022: RMB197.0 million) bears a fixed interest rate of 4.3% per annum (2022: 4.3% per annum), with Zhonghui Financial Building as the pledge. It is repaid in a scheduled instalments within 12 years. As at 31 December 2023 and 2022, there are no undrawn bank borrowing facilities.

As at 31 December 2023, non-current bank borrowing with principal amount of RMB80.0 million (2022: RMB Nil) bears a fixed interest rate of 4.2% per annum (2022: Not applicable). It is secured by all shares of a subsidiary of the Group and guaranteed by two subsidiaries of the Group. It is repaid in a scheduled instalments within 4 years. As at 31 December 2023 and 2022, there are no undrawn bank borrowing facilities.

As at 31 December 2023, non-current bank borrowings with total principal amount of RMB82.6 million (2022: RMB Nil) bear fixed interest rate ranging from 3.3% to 4.9% per annum (2022: Not applicable). They are guaranteed by two subsidiaries of the Group/secured by loans to a customer amounting RMB19.1 million/guaranteed by Jiangsu Wuzhong Group Co., Ltd. ("Wuzhong Group"). They are repaid in a scheduled instalments within 2 to 3 years. As at 31 December 2023 and 2022, there are no undrawn bank borrowing facilities.

- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 2.6% to 6.5% per annum (2022: from 3.4% to 5.2% per annum) as at 31 December 2023.

As at 31 December 2023, bank borrowings with principal amount of RMB Nil (2022: RMB105.0 million) are secured by restricted term deposits of RMB Nil (2022: RMB110.1 million) (note 25).

As at 31 December 2023, bank borrowings with principal amount of RMB20.0 million (2022: RMB49.5 million) are secured by structured deposits of RMB20.0 million (2022: RMB49.5 million) (note 24).

As at 31 December 2023, bank borrowings with principal amount of RMB88.0 million (2022: RMB100.0 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (of which one of the Ultimate Shareholders has not provided any guarantee).

As at 31 December 2023, bank borrowings with principal amount of RMB40.0 million (2022: RMB30.0 million) are guaranteed by Wuzhong Group.

As at 31 December 2023, bank borrowings with principal amount of RMB20.0 million (2022: RMB30.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd.

As at 31 December 2023, bank borrowing with principal amount of RMB10.0 million (2022: RMB Nil) is guaranteed by Jiangsu Jinchuang Financing Re-guarantee Co., Ltd.

- (c) As at 31 December 2023, borrowings from other companies bear fixed interest rates ranging from 6.5% to 9.0% per annum (2022: a fixed rate of 9.0% per annum).
- (d) As at 31 December 2023, borrowings from micro-finance companies with principal amount of RMB50.0 million (2022: RMB9.5 million) are guaranteed by Wuzhong Jiaye.
- (e) As at 31 December 2023, borrowings from the Group's employees bear a fixed interest rates ranging from 7.5% to 8.0 % per annum (2022: a fixed rate of 8.0% per annum).

### 30. OTHER CURRENT LIABILITIES

	2023	2022
Construction payables	19,793	34,844
Advance from transferee of financial assets	34,820	25,471
Advances on sales	10,579	8,609
Advances on consultancy fee income	1,555	—
Accrued employee benefits	4,814	7,871
Turnover tax and other tax payable	2,817	1,992
Resale agreement deposit	50,000	—
Notes payables	4,558	—
Other financial liabilities	<u>17,235</u>	<u>12,048</u>
	<u><u>146,171</u></u>	<u><u>90,835</u></u>

As at 31 December 2023, the Group's other financial liabilities are non-interest bearing. The fair value approximates their carrying amounts due to their short maturities (2022: same).

### 31. COMMITMENTS

#### Capital commitments in respect of private equity funds

	2023	2022
Suzhou Cibe Management Consulting Partnership (LP) ("Suzhou Cibe") (note (a))	39,626	20,495
Suzhou Qianhui Tongcui Venture Capital Partnership (LP) ("Qianhui Tongcui") (note (b))	10,000	10,000
Suzhou Wuzhong Tiankai Huirui Venture Capital Partnership (LP) ("Tiankai Huirui")	—	10,000
Suzhou Kangli Junzhuo Digital Economy Industry Investment Fund Partnership (LP) ("Kangli Junzhuo") (note (c))	5,000	8,000
Suzhou Qianrong Yuanfeng Venture Capital Partnership (LP) ("Suzhou Qianrong")	—	8,000
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) ("Zhongxin Hengyuan") (note (d))	<u>2,000</u>	<u>2,000</u>
	<u><b>56,626</b></u>	<u><b>58,495</b></u>

*Notes:*

- (a) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB39.6 million (2022: RMB20.5 million) has not been paid by the Group as at 31 December 2023.
- (b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million (2022: RMB10.0 million) has not been paid by the Group as at 31 December 2023.
- (c) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB5.0 million (2022: RMB8.0 million) has not been paid by the Group as at 31 December 2023.
- (d) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million (2022: RMB2.0 million) has not been paid by the Group as at 31 December 2023.

## 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.

In 2023, 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 operation and refined management”. The overall operating condition was significantly improved as compared with the previous year. In terms of the Inclusive Finance Business, Fuzhou Huifang Pawnshop Co., Ltd.\* (福州市匯方典當有限責任公司) (“**Fuzhou Pawnshop**”) was newly established, through which the pawnshop business of the Group has expanded to Fujian Province, PRC. 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) was successfully transformed from an agricultural micro-finance company to a technology micro-finance company, changing its name to Suzhou Dongshan Technology Microfinance Co., Ltd.\* (蘇州市東山科技小額貸款有限公司) (“**Dongshan Micro-finance**”) and expanding its business scope from Suzhou to Jiangsu Province, PRC. In terms of the Ecology Finance Business, Suzhou Huifang Financial Leasing Co., Ltd.\* (蘇州匯方融資租賃有限公司) (“**Huifang Financial Leasing**”) was newly established and became the only approved private financial leasing company in Jiangsu Province, PRC in the past two years. The special asset investment business focused on the field of financing in restructuring of companies and judicial auction of assets, and participated in the restructuring of Suzhou Guangda Education Technology Development Limited\* (蘇州市廣大教育科技發展有限公司) (“**Guangda Education**”).

## 1. Business Review and Development

### 1.1 *Inclusive Finance Business Division*

The Inclusive Finance Business Division conducts its business through platforms such as Suzhou Wuzhong Pawnshop Co. Ltd.\* (蘇州市吳中典當有限責任公司) (“**Wuzhong Pawnshop**”), Changsha Furong District Huifang Pawnshop Co., Ltd.\* (長沙市芙蓉區匯方典當有限責任公司) (“**Changsha Pawnshop**”), Nanchang Huifang Pawnshop Co., Ltd.\* (南昌市匯方典當有限責任公司) (“**Nanchang Pawnshop**”), Fuzhou Pawnshop, Dongshan Micro-finance, Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)\* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)) (“**Huifang Rongtong**”), Nanjing Yiling Culture and Art Co., Ltd.\* (南京藝瓏文化藝術有限公司) (“**Nanjing Yiling**”) and Suzhou Huirong Culture and Art Co., Ltd.\* (蘇州匯融文化藝術有限公司) (“**Huirong Culture**”). The division conducts pawnshop business, technology 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, Nanchang and Fuzhou, and is striving to become a leading service provider of inclusive finance in the PRC.

(a) *Pawnshop Business*

The following table sets out the details of total transaction amount, number and income of loans granted as of 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
<b>Total transaction number of new secured loans</b>		
Total transaction number of new real estate backed loans	<b>657</b>	671
Total transaction number of new movable property backed loans	<b>1,995</b>	1,451
<b>Total transaction amount of new secured loans (RMB million)</b>		
Total transaction amount of new real estate backed loans	<b>569</b>	564
Total transaction amount of new movable property backed loans	<b>243</b>	152
<b>Balance of secured loans at the end of the Reporting Year (principal) (RMB million)</b>		
Balance of real estate backed loans at the end of the Reporting Year (principal)	<b>903</b>	754
Balance of movable property backed loans at the end of the Reporting Year (principal)	<b>170</b>	73
<b>Interest income of secured loans (RMB thousand)</b>		
Interest income of real estate backed loans	<b>98,427</b>	57,004
Interest income of movable property backed loans	<b>26,005</b>	17,347
<b>Total transaction number of new unsecured loans</b>	<b>52</b>	38
<b>Total transaction amount of new unsecured loans (RMB million)</b>	<b>571</b>	720
<b>Balance of unsecured loans at the end of the Reporting Year (principal) (RMB million)</b>	<b>283</b>	370
<b>Interest income of unsecured loans (RMB thousand)</b>	<b>24,866</b>	<b>24,578</b>

The pawnshop business mainly relies on Wuzhong Pawnshop, Changsha Pawnshop, Nanchang Pawnshop and Fuzhou 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 entered into by Suzhou Huifang Tongda Information Technology Co., Ltd.\* (蘇州匯方同達信息科技有限公司) (“**Huifang Tongda**”), Suzhou Huifang Technology Co. Ltd.\* (蘇州匯方科技有限公司) (“**Huifang Technology**”), Wuzhong Pawnshop, Jiangsu Wuzhong Jiaye Group Co., Ltd.\* (江蘇吳中嘉業集團有限公司) (“**Wuzhong Jiaye**”), Suzhou Xinqu Hengyue Management Consulting Co., Ltd.\* (蘇州新區恆悅管理諮詢有限公司) and the Ultimate Shareholders (the “**Contractual Arrangements**”). Wuzhong Pawnshop is one of the largest pawnshop in Mainland China. Changsha Pawnshop, established in 2021 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company. Nanchang Pawnshop, established in 2022 with a registered capital of RMB30 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 90% of the equity interests of Nanchang Pawnshop. Fuzhou Pawnshop, established in 2023 with a registered capital of RMB30 million, is an indirect wholly-owned subsidiary of the Company.

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

#### ① Real Estate Backed Loans

Real estate backed loans primarily provide personal or corporate financing services to customers who have obtained real estate certificates. Business risks are comprehensively assessed based on customer credit status, real estate value, customer industry analysis and solvency, etc. The loan amount does not exceed 80% of the total evaluation price. The interest rates range from 12% to 18% per annum and the loan term is no longer than 1 year. The operation area is mainly in core urban areas of Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang, Fuzhou and other cities in the PRC. The target customers are mainly distributed across manufacturing, beverage, retail, trade and other industries. As of 31 December 2023, the total number of customers was 631, and the five largest customers contributed, in aggregate, 40.42% of the balance of real estate backed loans at the end of the Reporting Year (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 31 December 2023, the balance at the end of the Reporting Year (principal) and the interest income of real estate backed loans granted by the Company were RMB903 million and RMB98,427 thousand, respectively, representing an increase as compared with the corresponding

period of last year. The main reason was the Company expanded its business scale by strengthening the marketing and focusing on high-end residence, core commercial districts, and high-quality industrial factories.

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

In 2023, the Company conducted the application for the establishment of Fuzhou Pawnshop and obtained the business license on 23 August 2023 and the pawnshop operation license on 9 November 2023. The Company adjusted its 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 pay close attention to the real estate value fluctuation, actively adjust business strategies, focus on high-quality assets in the core urban area, and enhance the business scale in various operation area.

## ② Movable Property Backed Loans

The movable property backed loans mainly provide fast movable property backed financing services to individuals, and the product categories cover artworks, gold, jewelry, vehicles, watches and luxury goods, etc. The loan amount does not exceed 95% of the total evaluation price. The interest rates and comprehensive rates range from 13.5% to 54% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The businesses in Chengdu, Wuhan, Hefei, Changsha, Nanchang and other cities are also gradually expanding. The target customers are mainly distributed across manufacturing, agriculture, retail and other industries. As of 31 December 2023, the total number of customers was 1,452, and the five largest customers contributed, in aggregate, 79.8% of the balance of movable property backed loans at the end of the Reporting Year (principal).

As of 31 December 2023, the balance at the end of the Reporting Year (principal) and the interest income of movable property backed loans granted by the Company were RMB170 million and RMB26,005 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the Company enhanced the operational performance of the existing stores by optimizing the marketing strategy and focusing on artworks pawnshop business.

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.

In 2023, the movable property backed loans business sought to explore the innovative business model and collaborated with third-party online marketing platforms to attract traffic under the encouragement and guidance of regulatory authorities and carried out vehicle backed loans business. The development direction of the movable property backed loans in the future is to continuously seek inter-industry cooperation, strengthen the level of digitization of stores, and improve customer experience.

### 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 within 1 year. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, construction, investment and other industries. As of 31 December 2023, the total number of customers was 21, and the five largest customers contributed, in aggregate, 53.01% of the balance of unsecured loans at the end of the Reporting Year (principal).

As of 31 December 2023, the balance at the end of the Reporting Year (principal) and the interest income of unsecured loans granted by the Company were RMB283 million and RMB24,866 thousand, respectively, representing a decrease in the balance of unsecured loans at the end of the Reporting Year (principal), whereas the interest income of unsecured loans remained steady as compared with the corresponding period of last year.

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.

In 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.

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

(b) *Technology Micro-finance business*

The following table sets out the details of total new loans secured by real estate, guaranteed loans and credit loans as of 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Total number of new loans granted	<b>162</b>	212
Total amount of new loan granted (RMB million)	<b>628</b>	458
Balance at the end of the Reporting Year (principal) (RMB million)	<b>481</b>	407
Interest income (RMB thousand)	<b>42,830</b>	43,088

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

finance. Dongshan Micro-finance is also one of the few micro-finance companies rated “A” in Jiangsu Province, PRC.

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

Business risks of secured loans are comprehensively assessed based on the Company’s credit status, collateral value, industry analysis and cash flow, etc. The loan amount does not exceed 75% of the total evaluation price. The interest rates range from 9% to 18% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, beverage, service and other industries. As of 31 December 2023, the balance at the end of the Reporting Year (principal) of the secured loans is RMB183 million. As of 31 December 2023, the total number of customers was 63, and the five largest customers contributed, in aggregate, 52.05% of the balance of secured loans at the end of the Reporting Year (principal).

Business risks of guaranteed loans are comprehensively assessed based on the company’s operating conditions, financial situation and industry development, etc. The interest rates range from 10% to 15% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, trade, investment and other industries. As of 31 December 2023, the balance at the end of the Reporting Year (principal) of the guaranteed loans was RMB67 million. As of 31 December 2023, the total number of customers was 28, and the five largest customers contributed, in aggregate, 52.48% of the balance of guaranteed loans at the end of the Reporting Year (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 9% per annum and the loan term is within 1 year. The operation area is mainly in Suzhou. The target customers are mainly distributed in trade, gardening, investment and other industries. As of 31 December 2023, the balance at the end of the Reporting Year (principal) of the credit loans was RMB231 million. As of 31 December 2023, the total number of customers was 14, and the five largest customers contributed, in aggregate, 63.75% of the balance of credit loans at the end of the Reporting Year (principal).

As of 31 December 2023, the balance at the end of the Reporting Year (principal) and the interest income of technology micro-finance business were RMB481 million and RMB42,830 thousand, respectively, representing an increase in the balance at the end of the Reporting Year (principal), whereas the interest income remained steady as compared with the corresponding period of last year.

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

In 2023, in order to meet diversified customer needs, Dongshan Micro-finance was successfully transformed into a technology micro-finance company and changed its name to Suzhou Dongshan Technology Microfinance Co., Ltd.\* (蘇州市東山科技小額貸款有限公司), supporting the development of technology-based SMEs in Jiangsu Province, PRC. The development direction of technology 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 technology micro-finance business, the Company adopts comprehensive internal control measures. The pre-loan measures are mainly to implement the policy of separating the process of checking and actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures are mainly to implement post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business are mainly to implement procedures in strict accordance with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(c) *Turnover Loan Fund Business*

The following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan fund business as of 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
Total number of new loans granted	<b>972</b>	761
Total new loan amount granted (RMB million)	<b>4,640</b>	4,357
Balance at the end of the Reporting Year (principal) (RMB million)	<b>6</b>	30
Interest income (RMB thousand)	<b>8,776</b>	10,872

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

The turnover loan fund business serves as a bridge between banking institutions and SMEs. It focuses on serving SMEs and local government platforms with the needs of turnover loans. Business risks are comprehensively assessed based on the company's credit status, enterprise operation, financial conditions and bank credit conditions, etc. The interest rates range from 13% 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 31 December 2023, the total number of new loan customers granted was 855, and the five largest customers contributed, in aggregate, 10.11% of the total new loan amount granted.

As of 31 December 2023, the balance of turnover loan fund business at the end of the Reporting Year (principal) was RMB6 million, representing a significant decrease 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 31 December 2023, the interest income of turnover

loan fund business was RMB8,776 thousand, representing a decrease as compared with the corresponding period of last year. The main reason was that the Company reduced the interest rates for customers in response to regulatory requirements and the external economic situation affected the customer loan needs.

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

In 2023, in order to better adapt to changes in the market environment, Huifang Rongtong reached a cooperation with the head office of Jiangsu Suzhou Rural Commercial Bank\* (“江蘇蘇州農村商業銀行”) and adjusted the scale of operating funds. The development direction of turnover loan fund business in the future is to optimize marketing strategies and support turnover loan needs of SMEs.

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 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Total transaction number of new artworks	<b>11</b>	9
Total transaction amount of new artworks (RMB million)	<b>138</b>	102
Total amount of artworks trading stock at the end of the Reporting Year (RMB million)	<b>135</b>	135
Artworks business income (RMB thousand)	<b>19,207</b>	17,231

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. Its business covers the whole of Mainland China. The target customers are mainly major auction companies and well-known domestic collectors.

As of 31 December 2023, the total amount of artworks trading stock at the end of the Reporting Year and the artworks business income of art investment business were RMB135 million and RMB19,207 thousand, respectively, representing the same amount of artworks trading stock and an increase in artworks business income as compared with the corresponding period of last year. The main reason was that the Company conducted art investment business prudently due to the decrease in economic growth and trading activity in the art market and the Company explored more service opportunities in extended industries.

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.

In 2023, the art investment business focused on serving and maintaining existing customers, explored opportunities in extended industries, and cooperated with professional institutions to organize art exhibitions. 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 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Total transaction number	<b>458</b>	109
Sales income (RMB thousand)	<b>5,735</b>	1,298

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 31 December 2023, the total transaction number and the sales income of luxury goods were 458 and RMB5,735 thousand, respectively, representing a significant increase as compared with the corresponding period of last year.

The main reason was that the Company opened a store in the shopping mall named Joy Breeze (“大悦春风裡”) in Xiangcheng District, Suzhou, PRC, 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.

In 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. At the same time, the luxury sales business is facing a market trend of declining prices for second-hand luxury goods. Therefore, the Company reduced the business scale and waited for the market recovery by actively adjusting inventory and accelerating the inventory turnover. The development direction of luxury sales business in the future is to pay close attention to the changes in market situation and get through the “cold winter” of the second-hand luxury goods market.

## **1.2 Ecology Finance Business Division**

The Ecology Finance Business Division conducts its business through platforms such as Suzhou Huida Commercial Factoring Company Limited\* (蘇州匯達商業保理有限公司) (“**Huida Factoring**”), Huifang Financial Leasing, Huifang Financial Leasing, Suzhou Huifang Supply Chain Management Co., Ltd.\* (蘇州市匯方供應鏈管理有限公司) (“**Huifang Supply Chain**”), Jiangsu Zhongli Communication Technology Co., Ltd.\* (江蘇仲利通信科技有限公司) (“**Zhongli Communication**”, formerly named as Suzhou Huifang Rongda Internet Technology Company Limited\* (蘇州匯方融達網路科技有限公司)), Suzhou Huifang Rongcui Management Consulting Co., Ltd.\* (蘇州匯方融萃企業管理諮詢有限公司) (“**Huifang Rongcui**”), Suzhou Huifang Tongcui Business Management Consulting Partnership (Limited Partnership)\* (蘇州匯方同萃企業管理諮詢合夥企業(有限合夥)) (“**Huifang Tongcui**”), Qingdao Wanchen Buliang Property Company Limited\* (青島萬宸不良資產處置有限公司) (“**Qingdao Wanchen**”), Suzhou Huifang Dinghe Business Management Company Limited\* (蘇州匯方鼎合商業管理有限公司) (“**Huifang Dinghe**”), Suzhou Huifang Anda Insurance Agency Company Limited\* (蘇州匯方安達保險代理有限公司) (“**Huifang Anda**”, formerly named as Nanjing Shun’an Insurance Agency Company Limited\* (南京舜安保險代理有限公司)) and Sichuan Huida Dingchen Technology Co., Ltd\* (四川匯達鼎宸科技有限公司) (formerly named as Sichuan Aomeishu Technology Co., Ltd\* (四川奧美殊科技有限公司)), adhering to the innovation of finance concept. It attaches great importance to the internal and external resources to develop commercial factoring business, financial leasing business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

(a) *Commercial Factoring Business*

The following table sets out the operating information of the commercial factoring business as of 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Total number of new transaction relating to account receivables assignment	<b>24</b>	22
Total amount of new transaction relating to account receivables assignment (RMB million)	<b>160</b>	160
Balance at the end of the Reporting Year (principal) (RMB million)	<b>382</b>	324
Interest income (RMB thousand)	<b>32,096</b>	27,992
Service fee income (RMB thousand)	<b><u>3,909</u></b>	<u>3,436</u>

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

Huida Factoring is principally engaged in accepting assignment of account receivable from SMEs and installment of account receivables. Commercial factoring business evaluates business risks by comprehensively analyzing enterprise operation, financial conditions, receivables and industry development factors based on customers' credit status. The loan amount does not exceed 80% of the total amount of receivables. The interest rates range from 8% to 13% per annum and the loan term is within 5 years. The operation area is mainly in Suzhou. The target customers are mainly distributed in construction, manufacturing and other industries. As of 31 December 2023, the total number of customers was 18, and the five largest customers contributed, in aggregate, 58.94% of the balance at the end of the Reporting Year (principal).

As of 31 December 2023, the balance at the end of the Reporting Year (principal) and the interest income of Huida Factoring were RMB382 million and RMB32,096 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 introduction of bank financing.

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

In 2023, the commercial factoring business achieved new breakthroughs in scale and performance by adhering to government engineering factoring business and strengthening the marketing and bank financing. The development direction of commercial factoring business in the future is to 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 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
Total transaction number of financial leasing	<b>17</b>	—
Total amount of new transaction relating to account receivables assignment (RMB million)	<b>116</b>	—
Balance at the end of the Reporting Year (principal) (RMB million)	<b>107</b>	—
Interest income (RMB thousand)	<b>2,802</b>	—
Service fee income (RMB thousand)	<b>2,877</b>	—

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

Huifang Financial Leasing primarily offers two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to the customers. Financial leasing business evaluates business risks by comprehensively analyzing customer’s industry and reputation, existing debt position, operating cash flows and the projected cash flows generated from the lease asset. The interest rates range from 8% to 13% per annum and the finance lease term is within 3 years. The operation area is mainly in Suzhou. The target customers are mainly distributed in advanced manufacturing and other industries. As of 31 December 2023, the total number of customers was 14, and the five largest customers contributed, in aggregate, 61.29% of the balance at the end of the Reporting Year (principal).

As of 31 December 2023, the balance at the end of the Reporting Year (principal), the finance lease income and the service fee income of Huifang Financial Leasing were RMB107 million, RMB2,802 thousand and RMB2,877 thousand, respectively.

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

In 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 initial paid-in capital of RMB100 million was fully granted within the year, representing effective business expansion. The development direction of financial leasing business in the future is to support the development and innovation of SMEs, assist in industrial transformation and upgrading in advanced manufacturing, healthcare and public utility industry and explore development opportunities for direct finance leasing business.

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

(c) *Supply Chain Management Business*

The following table sets out the operating information of the supply chain management business as of 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
<b>Total transaction number</b>	<b>1,498</b>	1,017
Total transaction number of grain and oil	<b>261</b>	193
Total transaction number of fresh produce	<b>912</b>	421
Total transaction number of mobile terminals	<b>22</b>	98
Total transaction number of other goods	<b>303</b>	305
<b>Sales income (RMB thousand)</b>	<b>371,643</b>	363,505
Sales income of grain and oil	<b>265,221</b>	239,807
Sales income of fresh produce	<b>34,167</b>	31,911
Sales income of mobile terminals	<b>69,477</b>	89,984
Sales income of other goods	<b>2,778</b>	1,803

The supply chain management business mainly relies on Huifang Supply Chain and Zhongli Communication as entities to carry out its business. Huifang Supply Chain, established in 2018 with a registered capital of RMB400 million, is an indirect wholly-owned subsidiary of the Company. It was committed to focus on new supply chain scenarios mainly for grain and oil, fresh produce, mobile terminal and other consumer goods fields. Currently, Huifang Supply Chain has cooperated with COFCO Corporation\* (中糧集團有限公司), Yihai Kerry Arawana Holdings Co., Ltd\* (益海嘉里金龍魚糧油食品股份有限公司) and many other well-known enterprises. Zhongli Communication, established in 2015 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company. For the year ended 31 December 2023, the five largest suppliers accounted for approximately 91% of the supply chain management business's total purchases while the largest supplier accounted for approximately 38% of the supply chain management business's total purchases.

As of 31 December 2023, the total transaction number of supply chain management business and the sales income were 1,498 and RMB371,643 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the Company strengthened the cooperation with well-known enterprises and the sales income of grain and oil increased.

As of 31 December 2023, there was no billed trade payable from the supply chain management business based on invoice date.

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

In 2023, Huifang Supply Chain expanded the types of goods such as grain and oil and mobile terminals in order to expand its business scale and serve more customers. 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 into more product categories.

(d) *Equity Investment Business*

The following table sets out the operating information of the equity investment business as of 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Total transaction number of new investment	<b>4</b>	7
Total transaction principal amount of new investment (principal) (RMB million)	<b>24</b>	42
Balance of investment at the end of the Reporting Year (principal) (RMB million)	<b>81</b>	57
Investment income (RMB thousand)	<b>6,383</b>	2,764

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 31 December 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)) (“**Qianhui Xinli**”) (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.

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 RMB42 million. The investment period is 7 years. As of 31 December 2023, Huifang Tongcui intended to invest RMB20 million in Qianhui Tongcui and the actual investment was RMB10 million.

In 2023, apart from the aforesaid, in order to develop the financial advisory business in the primary or secondary markets and form a linkage with existing equity investment business, Huifang Rongcui invested in Ningbo Gaoliu Xiyu Management Consulting Co., Ltd.\* (寧波高流熙域管理諮詢有限公司) (“**Gaoliu Xiyu**”) with actual investment of RMB3 million, representing 15% of the equity interest.

As of 31 December 2023, the balance of investment at the end of the Reporting Year was RMB81 million, representing an increase as compared with the corresponding period of last year. This was mainly due to the increase in actual investment amount in Qianrong Yuanfeng, Tiankai Huirui, Kangli Junzhuo and Gaoliu Xiyu. As of 31 December 2023, the investment income of equity investment business was RMB6,383 thousand, representing an increase as compared with the corresponding period of last year. This was mainly due to the increase in the fair value of the investment in Qianhui Xinli, Qianhui Tongcui and Zhongxin Hengyuan.

The development direction of equity investment business in the future is to further strengthen the cooperation with senior equity investment institutions, expand the assets under management of the Double GP fund, 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 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Total transaction number of new investment	<b>1</b>	6
Total transaction amount of new investment (RMB million)	<b>196</b>	27
Balance of investment at the end of the Reporting Year (RMB million)	<b>205</b>	35
Investment income (RMB thousand)	<b>2,243</b>	1,716
Interest income (RMB thousand)	<b>8,250</b>	—

The special asset investment business mainly relies on Qingdao Wanchen and Huifang Dinghe as entities to carry out its business. Qingdao Wanchen, established in 2019 with a registered capital of RMB10 million, is an indirect wholly-owned subsidiary of the Company. Huifang Dinghe, established in 2023 with a registered capital of RMB35 million, is an indirect wholly-owned subsidiary of the Company.

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

As of 31 December 2023, the balance of investment at the end of the Reporting Year was RMB205 million, representing an increase as compared with the corresponding period of last year. The main reason was that the Company participated in the restructuring of Guangda Education at an investment amount of RMB196 million. As of 31 December 2023, the interest income and the investment income were RMB8,250 thousand and RMB2,243 thousand, respectively, representing an increase as compared with the corresponding period of last year. This was mainly due to the increase in the interest income generated from the participation in the restructuring of Guangda Education

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

In 2023, the special asset investment business focused on the field of financing in restructuring of companies and judicial auction of assets, and participated in the restructuring of Guangda Education through its cooperation with Suzhou Qingdong Hotel Management Limited\* (蘇州慶東酒店管理有限公司) (“**Suzhou Qingdong**”) (for further details of the above-mentioned transactions, please refer to the paragraph headed “8.3 Acquisition and Disposal of Guangda Education” in this announcement). 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 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Total transaction number	<b>602</b>	451
Sales income (RMB thousand)	<b>827</b>	899

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 31 December 2023, the total transaction number of insurance brokerage business was 602, representing an increase as compared with the corresponding period of last year. The main reason was that the Company acted as an agent to sell the inclusive supplementary medical insurance “Suhuibao” with a low threshold and wide coverage, which is preferred by a large number of customers. As of 31 December 2023, the commission fee income was RMB827 thousand, representing a decrease as compared with the corresponding period of last year. The main reason was that the macroeconomic downturn led to a more severe competitive situation for the property insurance business targeting corporate clients.

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

In 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.

### 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 31 December 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
Total number of new loans granted	<b>1</b>	1
Total new loan amount granted (HK\$ million)	<b>20</b>	20
Balance at the end of the Reporting Year (principal) (HK\$ million)	<b>26</b>	26
Interest income (HK\$ thousand)	<b>1,520</b>	1,520

The overseas finance business mainly relies on Huifang Investment Limited\* (匯方投資有限公司) (“**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 31 December 2023, the balance at the end of the Reporting Year (principal) and the interest income of overseas finance business were HK\$26 million and HK\$1,520 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.

In 2023, given the multiple interest rate hikes approved by the Federal Reserve, the overseas financing costs increased, which affected the customer's willingness to borrow, resulting in no significant change in business performance during the Reporting Year. The development direction of overseas finance business in the future is to seek for development opportunities in the fields of pawnshops and digital assets in more overseas countries and regions such as Southeast Asia.

## 2. Financial Review

### 2.1 Overall Financial Data

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Operating Results</b>		
Operating income	<b>653,131</b>	624,474
Net operating income	<b>171,050</b>	157,991
Net assets	<b>2,165,618</b>	2,111,330
General and administrative expenses	<b>80,741</b>	73,818
Income tax expenses	<b>24,997</b>	27,120
Profit attributable to equity holders	<b>46,451</b>	41,057
Basic earnings per share (RMB Yuan)	<b><u>0.043</u></b>	<u>0.038</u>

As of 31 December 2023, the operating income amounted to RMB653,131 thousand, representing an increase as compared with 2022. The main reason was the increase in the business scale of new business such as special asset investment business and financial leasing business, and the increase in the balance of lending services business such as pawnshop business. As of 31 December 2023, the profit attributable to equity holders amounted to RMB46,451 thousand, representing an increase as compared with 2022. The main reason was the increase in revenue attributable to the factors set out above.

## 2.2 Financial Analysis on two Principal Business Divisions

### 2.2.1 Inclusive Finance Business Division

	For the year ended	
	31 December	
	2023	2022
	RMB'000	RMB'000
Operating income	220,592	215,247
Operating cost	17,115	14,785
Other non-operating losses	(115,603)	(90,401)
Profit before tax	<u>87,874</u>	<u>110,061</u>

As of 31 December 2023, the operating income amounted to RMB220,592 thousand, representing an increase as compared with 2022. The main reason was the increase in revenue generated from the pawnshop business. As of 31 December 2023, the profit before tax amounted to RMB87,874 thousand, representing a decrease as compared with 2022. The main reason was that the increase in the credit impairment losses and the general and administrative expenses generated from the Inclusive Finance Business Division.

### 2.2.2 Ecology Finance Business Division

	For the year ended	
	31 December	
	2023	2022
	RMB'000	RMB'000
Operating income	418,969	398,508
Operating cost	381,099	373,767
Other non-operating losses	(1,704)	(2,962)
Profit before tax	<u>36,166</u>	<u>21,779</u>

As of 31 December 2023, the operating income amounted to RMB418,969 thousand, representing an increase as compared with 2022. The main reason was the increase in revenue generated from the special asset management business, the equity investment business, the financial leasing business and the commercial factoring business. As of 31 December 2023, the profit before tax amounted to RMB36,166 thousand, representing an increase as compared with 2022. The main reason was the increase in operating income attributed to the factors set out above.

### 2.2.3 Headquarters and Others

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
Operating income	<b>27,421</b>	26,559
Operating cost	<b>22,398</b>	17,843
Other non-operating losses	<b>(37,402)</b>	(53,088)
Losses before tax	<b><u>(32,379)</u></b>	<b><u>(44,372)</u></b>

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

As of 31 December 2023, the operating income amounted to RMB27,421 thousand, representing an increase as compared with 2022. As of 31 December 2023, the losses before tax amounted to RMB32,379 thousand, representing a decrease in losses before tax as compared with 2022. The main reason was the decrease in investment losses and credit impairment losses generated from the Headquarters and Others.

### 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 31 December				
	2023			2022	
	Stage 1 12-month ECL	ECL staging Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
<b>Loans to customers</b>					
Secured loans to customers (a)	992,866	7,516	841,637	1,842,019	1,617,499
Unsecured loans to customers (b)	1,002,498	7,822	251,839	1,262,159	1,205,415
<b>Gross carrying amount</b>	<b>1,995,364</b>	<b>15,338</b>	<b>1,093,476</b>	<b>3,104,178</b>	<b>2,822,914</b>
ECL allowances	(42,089)	(4,139)	(748,404)	(794,632)	(715,859)
<b>Carrying amount</b>	<b>1,953,275</b>	<b>11,199</b>	<b>345,072</b>	<b>2,309,546</b>	<b>2,107,055</b>
<b>Term deposits with banks</b>					
<b>Credit grade</b>					
AAA	4,804	—	—	4,804	110,240
<b>Gross carrying amount</b>	<b>4,804</b>	<b>—</b>	<b>—</b>	<b>4,804</b>	<b>110,240</b>
ECL allowances	(164)	—	—	(164)	(164)
<b>Carrying amount</b>	<b>4,640</b>	<b>—</b>	<b>—</b>	<b>4,640</b>	<b>110,076</b>
<b>Other current assets (excluding repossessed assets)</b>					
<b>Gross carrying amount</b>	<b>19,106</b>	<b>—</b>	<b>—</b>	<b>19,106</b>	<b>18,342</b>
ECL allowances	(1,141)	—	—	(1,141)	(1,141)
<b>Carrying amount</b>	<b>17,965</b>	<b>—</b>	<b>—</b>	<b>17,965</b>	<b>17,201</b>
<b>Financial assets held under resale agreement</b>					
<b>Gross carrying amount</b>	<b>203,842</b>	<b>—</b>	<b>—</b>	<b>203,842</b>	<b>—</b>
ECL allowances	(3,827)	—	—	(3,827)	—
<b>Carrying amount</b>	<b>200,015</b>	<b>—</b>	<b>—</b>	<b>200,015</b>	<b>—</b>
<b>Finance lease receivables</b>					
<b>Gross carrying amount</b>	<b>108,019</b>	<b>—</b>	<b>—</b>	<b>108,019</b>	<b>—</b>
ECL allowances	(3,266)	—	—	(3,266)	—
<b>Carrying amount</b>	<b>104,753</b>	<b>—</b>	<b>—</b>	<b>104,753</b>	<b>—</b>

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

The Group may suffer credit losses if its customers default on contractual obligations. As at 31 December 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 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Secured loans to customers</b> <sup>(note (a))</sup>		
Stage 1 & 2	<b>10,875</b>	12,065
Stage 3	<b>514,937</b>	479,678
Subtotal	<b><u>525,812</u></b>	<u>491,743</u>
<b>Unsecured loans to customers</b> <sup>(note (b))</sup>		
Stage 1 & 2	<b>35,353</b>	34,037
Stage 3	<b>233,467</b>	190,079
Subtotal	<b><u>268,820</u></b>	<u>224,116</u>
ECL allowances, total	<b>794,632</b>	715,859
Stage 1 & 2	<b>46,228</b>	46,102
Stage 3	<b><u>748,404</u></b>	<u>669,757</u>

Notes:

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

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

As at 31 December 2023, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB794,632 thousand, representing approximately 25.6% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB78,773 thousand as compared with the end of last year.

For loans to customers in Stage 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 impairment allowance in Stage 1 & 2 for 2023 remained steady as compared with 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 in 2023, mainly due to an extension of estimated time for disposal because of external factors.

For unsecured loans, the discounted cash flow depend 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 in 2023, mainly due to a deterioration of certain customer’s business conditions, or a decline in repayment ability resulting from financial difficulties, compared with their repayment ability upon the loan’s initial granting.

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.

During the year ended 31 December 2023, financial assets written off amounted to RMB5.1 million. 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*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
<b>New Secured Loans</b>		
Number of clients	<b>68</b>	19
Outstanding loans (RMB' thousand)	<b>78,237</b>	24,467
<b>New Unsecured Loans</b>		
Number of clients	<b>1</b>	—
Outstanding loans (RMB' thousand)	<b><u>20,000</u></b>	<u>—</u>

As at 31 December 2023, the balance of new secured loans under legal proceedings was RMB78,237 thousand and the balance of new unsecured loans under legal proceedings was RMB20,000 thousand. There is an increase of the balance of new loans under legal proceedings from the end of the previous year. The main reason was that the macroeconomic downturn led to an increase in overdue loans of Wuzhong Pawnshop, Changsha Pawnshop and Nanchang Pawnshop, and the Company increased efforts to settle overdue loans.

#### 4. Borrowings

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
<b>Non-current</b>		
Bank borrowing ( <i>note (a)</i> )	<u><b>351,600</b></u>	<u>197,000</u>
<b>Current</b>		
Bank borrowings ( <i>note (b)</i> )	<b>300,654</b>	402,128
Borrowings from other companies ( <i>note (c)</i> )	<b>92,115</b>	52,000
Borrowings from micro-finance companies ( <i>note (d)</i> )	<b>110,000</b>	45,500
Borrowings from the Group's employees ( <i>note (e)</i> )	<u><b>79,850</b></u>	<u>32,600</u>
	<u><b>582,619</b></u>	<u>532,228</u>
	<u><b>934,219</b></u>	<u>729,228</u>

*Notes:*

- (a) As at 31 December 2023, non-current bank borrowing with principal amount of RMB189.0 million (2022: RMB197.0 million) bears a fixed interest rate of 4.3% per annum (2022: 4.3% per annum), with Zhonghui Financial Building as the pledge. It is repaid in a scheduled instalments within 12 years. As at 31 December 2023 and 2022, there are no undrawn bank borrowing facilities.

As at 31 December 2023, non-current bank borrowing with principal amount of RMB80.0 million (2022: RMB Nil) bears a fixed interest rate of 4.2% per annum (2022: Not applicable). It is secured by all shares of a subsidiary of the Group and guaranteed by two subsidiaries of the Group. It is repaid in a scheduled instalments within 4 years. As at 31 December 2023 and 2022, there are no undrawn bank borrowing facilities.

As at 31 December 2023, non-current bank borrowings with total principal amount of RMB82.6 million (2022: RMB Nil) bear fixed interest rate ranging from 3.3% to 4.9% per annum (2022: Not applicable). They are guaranteed by two subsidiaries of the Group/secured by loans to a customer amounting RMB19.1 million/guaranteed by Wuzhong Group. They are repaid in a scheduled instalments within 2 to 3 years. As at 31 December 2023 and 2022, there are no undrawn bank borrowing facilities.

- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 2.6% to 6.5% per annum (2022: from 3.4% to 5.2% per annum) as at 31 December 2023.

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

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

As at 31 December 2023, bank borrowings with principal amount of RMB88.0 million (2022: RMB100.0 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (of which one of the Ultimate Shareholders has not provided any guarantee).

As at 31 December 2023, bank borrowings with principal amount of RMB40.0 million (2022: RMB30.0 million) are guaranteed by Wuzhong Group.

As at 31 December 2023, bank borrowings with principal amount of RMB20.0 million (2022: RMB30.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd.

As at 31 December 2023, bank borrowing with principal amount of RMB10.0 million (2022: RMB Nil) is guaranteed by Jiangsu Jinchuang Financing Re-guarantee Co., Ltd.

- (c) As at 31 December 2023, borrowings from other companies bear fixed interest rates ranging from 6.5% to 9.0% per annum (2022: a fixed rate of 9.0% per annum).
- (d) As at 31 December 2023, borrowings from micro-finance companies with principal amount of RMB50.0 million (2022: RMB9.5 million) are guaranteed by Wuzhong Jiaye.
- (e) As at 31 December 2023, borrowings from the Group's employees bear a fixed interest rates ranging from 7.5% to 8.0 % per annum (2022: a fixed rate 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 31 December 2023, the gearing ratio of the Group was 26.9%. 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 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 year ended 31 December 2023, the Group did not use any financial instruments for hedging purposes.

## **5. Capital Expenditure**

Our capital expenditure primarily consists of purchases of property, plant and equipment, intangible assets and investment properties. Our capital expenditure was RMB10,913 thousand for the year ended 31 December 2023, as compared with RMB13,145 thousand for 2022.

## **6. Exposure to Foreign Exchange Risk**

For the year ended 31 December 2023, the net foreign currency gains of the Group were RMB223 thousand, representing a decrease as compared to the net foreign currency gains of RMB3,125 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 31 December 2023, land-use rights and investment properties totalling of RMB184.8 million (31 December 2022: RMB191.3 million) of the Group were pledged with banks to secure the Group's borrowings with principal amount of RMB189.0 million (31 December 2022: RMB197.0 million).

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

As at 31 December 2023, bank borrowings with principal amount of RMB Nil (31 December 2022: RMB105.0 million) were secured by restricted term deposits of RMB Nil (31 December 2022: RMB110.1 million).

Save as disclosed above, for the year ended 31 December 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 31 December 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.

## **8.2 *Establishment of Fuzhou Pawnshop***

On 23 August 2023, Fuzhou Pawnshop was formally established in Fuzhou, the PRC with a registered capital of RMB30 million. Fuzhou Pawnshop is owned as to 98.5% and 1.5% by Huifang Tongda and Zhongli Communication, respectively, and is a 100% indirect wholly-owned subsidiary of the Company. The future business of Fuzhou Pawnshop is mainly to provide secured loan services (including real estate backed loans and movable property backed loans) in Fujian Province, the PRC. With the establishment of Fuzhou Pawnshop, the Group will expand the geographical coverage of its Pawnshop Business to customers located in Fujian Province. Whilst the Group currently operates its Pawnshop Business in Jiangsu Province, Sichuan Province, Hubei Province, Hunan Province, Anhui Province and Jiangxi Province of the PRC, the establishment of Fuzhou Pawnshop is a strategic step for the Group to leverage on its existing strength, resources and expertise to broaden its customer base and strengthen its dominant position in the pawnshop industry in the PRC.

## **8.3 *Acquisition and Disposal of Guangda Education***

The Group participated in the restructuring of Guangda Education, a company incorporated in the PRC and principally engaged in hotel operations, through its cooperation with 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 acquire the entire interest in Guangda Education (the “**Acquisition of Guangda Education**”) from the Administrator at a restructuring investment amount of RMB196.0 million and a nominal acquisition consideration of RMB1 (the “**Acquisition Consideration of Guangda Education**”).

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 RMB50.0 million to Huifang Supply Chain; and (2) within twelve months of the Acquisition of Guangda Education (i.e. from the date of full payment of the aforesaid restructuring investment amount of RMB196.0 million), Suzhou Qingdong shall acquire the entire equity interest in Huifang Dinghe from Huifang Supply Chain 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 Guangda Education) of approximately more than RMB200 million (the “**Disposal Consideration of Guangda Education**”), being the best estimate made by the Board up to the date of this announcement, 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 of Guangda Education, the Acquisition Consideration of Guangda Education is accounted for as financial assets held under resale agreement, and the difference between the Acquisition Consideration and the Disposal Consideration of Guangda Education 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 of RMB1.5 million.

For further details of the above-mentioned transactions, please refer to the announcement of the Company dated 17 August 2023 and the supplemental announcement of the Company dated 30 August 2023. As at 31 December 2023, the Acquisition of Guangda Education has been completed and the Company will pay close attention to the progress of the disposal of Guangda Education in the future. As at 31 December 2023, the fair value of Guangda Education which was accounted for as financial assets held under resale agreement was RMB200.0 million, accounting for 6.06% of the total assets of the Group. For the year ended 31 December 2023, the Group achieved consulting service income of RMB0.6 million and interest income of RMB8.3 million through this investment. The strategy of the Group is to actively seek opportunities in relation to provision of financing solutions to customers in the areas of restructuring of companies and judicial auction of assets. The Board considers that the income from the acquisition and the disposal represents an opportunity for the Group to generate an investment return while providing services to its customers within its ordinary and usual course of business, thereby creating a win-win situation. The Board has discussed and approved the transaction contemplated under the agreements mentioned above and is of the view that such transactions will bring benefits and create value to the Company and its shareholders as a whole.

As at 31 December 2023, save for the acquisition and disposal of Guangda Education, the fair value of each of the abovementioned investments was less than 5% of the total assets of the Group. As at 31 December 2023, save for the acquisition and disposal of Guangda Education, the Group did not hold significant investments in the equity interests of any other companies. The Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Year.

## **9. Contingencies, Contractual Obligations and Cash Usage Analysis**

### **9.1 Contingencies**

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

## 9.2 Commitments

### (a) Capital commitments

	As at 31 December	
	2023	2022
Suzhou Cibeii ( <i>note (a)</i> )	<b>39,626</b>	20,495
Qianhui Tongcui ( <i>note (b)</i> )	<b>10,000</b>	10,000
Tiankai Huirui	—	10,000
Kangli Junzhuo ( <i>note (c)</i> )	<b>5,000</b>	8,000
Suzhou Qianrong	—	8,000
Zhongxin Hengyuan ( <i>note (d)</i> )	<b>2,000</b>	2,000
	<b><u>56,626</u></b>	<b><u>58,495</u></b>

#### Notes:

- (a) The committed capital injection to Suzhou Cibeii is RMB45.0 million, of which RMB39.6 million (2022: RMB20.5 million) has not been paid by the Group as at 31 December 2023.
- (b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million (2022: RMB10.0 million) has not been paid by the Group as at 31 December 2023.
- (c) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB5.0 million (2022: RMB8.0 million) has not been paid by the Group as at 31 December 2023.
- (d) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million (2022: RMB2.0 million) has not been paid by the Group as at 31 December 2023.

### 9.3 Cash Usage Analysis

As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB137,274 thousand, representing a decrease of RMB59,531 thousand as compared with that of 2022. The Group's cash and cash equivalents were denominated in RMB, USD and HKD. The following table sets forth a summary of our cash flows for the indicated periods:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash outflow from operating activities	<b>(254,186)</b>	(102,492)
Net cash inflow/(outflow) from investing activities	<b>4,797</b>	(26,188)
Net cash inflow from financing activities	<b><u>189,918</u></b>	<u>89,577</u>
Net decrease in cash and cash equivalents	<b>(59,471)</b>	(39,103)
Cash and cash equivalents at the end of year	<b><u>137,274</u></b>	<u>196,805</u>

#### *Net Cash Flow from Operating Activities*

During the Reporting Year, net cash outflow from operating activities amounted to RMB254,186 thousand, representing an increase as compared with 2022. This was due to the cash outflow generated from the acquisition of Guangda Education..

#### *Net Cash Flow from Investing Activities*

During the Reporting Year, net cash inflow from investing activities amounted to RMB4,797 thousand, representing an increase as compared with 2022. This was 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 Year, net cash inflow from financing activities amounted to RMB189,918 thousand, representing an increase as compared with 2022. This was due to the increase in the proceeds from borrowings.

## 10. Human Resource and Employee Benefits

As at 31 December 2023, the Group had a total of 160 full-time employees, with an increase of 14 person from 146 people as at 31 December 2022. The main reason was that the Company's business and business areas have increased, and the demand for personnel in corresponding positions in financial leasing, Fuzhou Pawnshop and other

businesses has increased. 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 year ended 31 December 2023, the expenses for employee remuneration and benefits were approximately RMB40,756 thousand, representing an increase of approximately RMB913 thousand compared with the same period of 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. The Company also adopted a share option scheme in 2014 to incentivize and reward its employees and Directors for their contribution to the Group. We adhere to fostering a working environment with opportunities for learning and career development for our employees, and the Group provides employees with a comprehensive range of staff training scheme, including financial knowledge, compliance and leadership management, so as to help them achieve both their personal and professional development goals.

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

## **11. Future Plans Relating to Material Investments**

Save as the capital commitments and events after the Reporting Year disclosed in paragraphs 9.2 and 12(b) to this announcement, 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 Reporting Year**

### **(a) *Proposed final dividend***

A final dividend in respect of the year ended 31 December 2023 of HK\$0.02 per share, amounting to a total dividend of HK\$21.8 million (equivalent to RMB19.8 million), is to be proposed at the annual general meeting on 28 May 2024. These consolidated financial statements do not reflect this dividend payable.

(b) *Financial assets held under resale agreement*

Huifang Supply Chain and an independent party (the “**Ultimate Purchaser**”) established Suzhou Huifang Zhongde Enterprise Management Consulting Co., Ltd.\* (蘇州匯方仲德企業管理諮詢有限公司) (“**Huifang Zhongde**”) and Suzhou Huifang Yunqi Information Technology Co., Ltd.\* (蘇州匯方雲啟信息科技有限公司) (the “**Purchaser**” or “**Huifang Yunqi**”), a wholly-owned subsidiary of Huifang Zhongde. The Purchaser is a special purpose vehicle for the purpose of the acquisition (the “**Project Square Acquisition**”) of a parcel of land and buildings thereon situated in Wuzhong District, Suzhou, the PRC (“**Zhongzhu Square**”) by way of the auction.

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

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

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

The commercial substance of the aforementioned series of transactions is to provide the Ultimate Purchaser with the necessary financing for its acquisition of Zhongzhu Square. Following the completion of the Acquisition, the Acquisition Consideration of RMB88.4 million will be accounted for as financial assets held under the Resale Agreement, and the difference between the Acquisition Consideration and the Disposal Consideration is recognised as interest income during the term of the Pre-acquisition Agreement using the effective interest method.

## **PROSPECTS**

**Inclusive Finance Business Division:** The pawnshop business will pay close attention to the real estate value fluctuation and find more dislocation competition and development opportunities through more innovative products. The movable property backed loans will continue to increase the scale and the number of product types. The unsecured loans will explore the equity interest backed loans for listed companies. The technology micro-finance business will seize the opportunity of transforming, strengthen peer cooperation and steadily expand its business to Jiangsu Province, PRC. 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.

**Ecology Finance Business Division:** The commercial factoring business will strengthen peer cooperation, expand financing channels, and seek market opportunities. The financial leasing business will find more high-quality customers and ensure the grant of the second phase paid-in capital. The supply chain management business will improve operational efficiency and strengthen value creation. The equity investment business will continue to maintain the investment rhythm and strengthen post investment management. The special asset investment business will focus on the field of financing in restructuring of companies and judicial auction of assets and ensure that key projects exit on schedule. The insurance brokerage business will deepen internal integration and strengthen external cooperation.

**Headquarters:** The Company will strengthen the liquidity management, improve the financing capacity and deepen the integration of business and finance and the coordination of business and funding. The Company will effectively strengthen risk control, accelerate the recovery of existing loans and keep the product standards updated and adjusted in a timely manner. The Company will also introduce young talents, improve performance incentive mechanisms and establish a risk fund mechanism to create a positive and stimulating salary system.

## **FINAL DIVIDEND**

The Board has proposed to declare a final dividend of HK\$0.02 per share in respect of the year ended 31 December 2023 (the “**2023 Final Dividend**”) (2022: HK\$0.03). The 2023 Final Dividend will be paid to the shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company at the close of business on Wednesday, 5 June 2024. Based on the 1,090,335,000 shares of the Company in issue as at 31 December 2023, the payment of the 2023 Final Dividend is expected to amount to approximately HK\$21,806,700, which will be paid on or before Friday, 28 June 2024. The retained profit will be primarily used for the Group’s business developments and/or acquisitions in the PRC.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Reporting Year, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

## **CORPORATE GOVERNANCE PRACTICES**

The Company’s corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (“**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 Year.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Year.

## **ANNUAL RESULTS AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

On 12 June 2023, RSM Hong Kong was appointed as the auditors of the Company in place of PricewaterhouseCoopers.

The audit committee of the Company has held a meeting with the auditors of the Company to review the annual results of the Group for the year ended 31 December 2023.

The figures in respect of the results announcement of the Group for the year ended 31 December 2023 have been compared and agreed by the Group's auditors, RSM Hong Kong, with the amounts set out in the Group's audited consolidated financial statements for the Reporting Year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Tuesday, 28 May 2024. A notice convening the annual general meeting of the Company will be issued to the Shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

With effect from 1 February 2024, the Hong Kong branch share registrar and transfer office of the Company was changed to Tricor Investor Services Limited.

The register of members of the Company will be closed from Wednesday, 22 May 2024 to Tuesday, 28 May 2024 (both dates inclusive) and from Tuesday, 4 June 2024 to Wednesday, 5 June 2024 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on Tuesday, 21 May 2024. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the forthcoming annual general meeting), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Monday, 3 June 2024.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.cnhuirong.com](http://www.cnhuirong.com)). The annual report for the year ended 31 December 2023 containing all relevant information required by Appendix D2 to the Listing Rules will be issued to the Shareholders and available on the above websites in due course.

## **DEFINITION**

Unless otherwise required by the context, terms used in this announcement shall have the same meanings as those defined in the interim report 2023.

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

Suzhou, China, 28 March 2024

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

\* *For identification purpose only*