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Quanzhou Huixin Micro-credit Co., Ltd.*

泉州匯鑫小額貸款股份有限公司

(Established in the People's Republic of China with limited liability)

(Stock Code: 1577)

**2024 ANNUAL RESULTS ANNOUNCEMENT;
CHANGE OF MEMBER OF NOMINATION COMMITTEE;
AND
PROPOSED CHANGE OF REGISTERED ADDRESS AND
AMENDMENTS TO ARTICLES OF ASSOCIATION**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Quanzhou Huixin Micro-credit Co., Ltd.* (the “**Company**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Company and its subsidiaries (the “**Group**”, “**we**” or “**our**”) for the year ended 31 December 2024 (the “**Reporting Period**”) prepared in accordance with the HKFRS Accounting Standards promulgated by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The Board and the audit committee of the Company (the “**Audit Committee**”) have reviewed and confirmed the Annual Results. All amounts set out in this announcement are expressed in Renminbi (“**RMB**”) unless otherwise indicated.

ANNUAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

(Amounts expressed in RMB unless otherwise stated)

	<i>Notes</i>	2024	2023
Interest income	5	112,739,941	140,179,323
Interest expense	5	<u>(438,232)</u>	<u>(800,379)</u>
Interest income, net		112,301,709	139,378,944
Impairment losses on loans and accounts receivables, net	6	(13,145,705)	(26,197,544)
Impairment losses on goodwill	21	(9,149,858)	—
Operating and administrative expenses		(23,016,044)	(24,019,699)
Foreign exchange (losses)/gains, net		(57,384)	169
Net gains on financial assets	7	54,875,596	4,206,024
Provision for a contingent liability		—	(116,531)
Other income and gains, net	8	5,831,586	6,317,694
Other expenses		<u>(1,513,637)</u>	<u>(14)</u>
PROFIT BEFORE TAX	9	126,126,263	99,569,043
Income tax expense	12	<u>(29,793,166)</u>	<u>(23,379,308)</u>
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>96,333,097</u>	<u>76,189,735</u>
Attributable to:			
Owners of the parent		91,713,602	64,814,928
Non-controlling interests		<u>4,619,495</u>	<u>11,374,807</u>
		<u>96,333,097</u>	<u>76,189,735</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		<u>0.13</u>	<u>0.10</u>
Diluted		<u>0.13</u>	<u>0.10</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

(Amounts expressed in RMB unless otherwise stated)

	Notes	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	15	103,000,233	111,484,915
Securities purchased under agreements to re-sell		60,097,641	—
Financial assets at fair value through profit or loss	16	280,304,315	249,672,915
Loans and accounts receivables	17	670,185,381	861,548,743
Property, plant and equipment	18	8,658,634	8,054,647
Investment properties	19	62,743,372	—
Right-of-use assets	20	892,037	1,829,348
Goodwill	21	5,579,423	14,729,281
Other intangible assets		101,092	105,733
Deferred tax assets	22	24,272,833	32,590,525
Other assets	23	<u>23,274,528</u>	<u>22,861,438</u>
TOTAL ASSETS		<u>1,239,109,489</u>	<u>1,302,877,545</u>
LIABILITIES			
Interest-bearing borrowings	24	—	9,894,844
Financial liabilities at fair value through profit or loss		—	842,127
Lease liabilities	20	951,565	1,742,671
Income tax payable		3,104,029	11,549,013
Deferred tax liabilities	22	3,889,862	—
Other payables	25	<u>9,984,250</u>	<u>10,327,378</u>
TOTAL LIABILITIES		<u>17,929,706</u>	<u>34,356,033</u>
NET ASSETS		<u>1,221,179,783</u>	<u>1,268,521,512</u>
EQUITY			
Share capital	26	680,000,000	680,000,000
Reserves	27	175,987,158	170,210,456
Retained profits		<u>363,717,164</u>	<u>308,884,907</u>
Equity attributable to owners of the parent		<u>1,219,704,322</u>	<u>1,159,095,363</u>
Non-controlling interests		<u>1,475,461</u>	<u>109,426,149</u>
TOTAL EQUITY		<u>1,221,179,783</u>	<u>1,268,521,512</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Reserves				Total		
		Capital reserve	Surplus reserve	General reserve	Retained profits			
Balance as at 1 January 2023	680,000,000	75,390,551	69,662,030	17,912,377	285,315,477	1,128,280,435	111,037,742	1,239,318,177
Net profit and total comprehensive income for the year	—	—	—	—	64,814,928	64,814,928	11,374,807	76,189,735
Appropriation to surplus reserve	—	—	6,103,462	—	(6,103,462)	—	—	—
Appropriation to general reserve	—	—	—	1,142,036	(1,142,036)	—	—	—
Distribution to shareholders (Note 13)	—	—	—	—	(34,000,000)	(34,000,000)	(12,986,400)	(46,986,400)
Balance as at 31 December 2023	<u>680,000,000</u>	<u>75,390,551</u>	<u>75,765,492</u>	<u>19,054,413</u>	<u>308,884,907</u>	<u>1,159,095,363</u>	<u>109,426,149</u>	<u>1,268,521,512</u>
Balance as at 1 January 2024	680,000,000	75,390,551	75,765,492	19,054,413	308,884,907	1,159,095,363	109,426,149	1,268,521,512
Net profit and total comprehensive income for the year	—	—	—	—	91,713,602	91,713,602	4,619,495	96,333,097
Appropriation to surplus reserve	—	—	2,881,345	—	(2,881,345)	—	—	—
Distribution to shareholders (Note 13)	—	—	—	—	(34,000,000)	(34,000,000)	(8,177,677)	(42,177,677)
Equity transactions with non-controlling interests	—	2,895,357	—	—	—	2,895,357	(104,392,506)	(101,497,149)
Balance as at 31 December 2024	<u>680,000,000</u>	<u>78,285,908</u>	<u>78,646,837</u>	<u>19,054,413</u>	<u>363,717,164</u>	<u>1,219,704,322</u>	<u>1,475,461</u>	<u>1,221,179,783</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

(Amounts expressed in RMB unless otherwise stated)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		126,126,263	99,569,043
Adjustments for:			
Unrealised fair value changes in financial instruments at fair value through profit or loss		(52,679,756)	18,215,466
Depreciation of property and equipment		1,670,689	1,970,312
Depreciation of repossessed assets		—	40,536
Depreciation of right-of-use assets		1,061,402	868,467
Amortisation of other intangible assets		147,640	527,429
Depreciation of investment properties		1,486,925	—
Impairment of loans and accounts receivables	6	13,145,705	26,197,544
Impairment of goodwill		9,149,858	—
Accreted interest on impaired loans		(29,300,030)	(19,283,028)
Provision for a contingent liability		—	116,531
Foreign exchange loss/(gain), net		57,384	(169)
Gain on disposal of subsidiaries		—	(260,715)
Gain on disposal of items of property and equipment		(25,766)	(130,765)
Interest expense	5	438,232	800,379
		71,278,546	128,631,030
Decrease in financial assets at fair value through profit or loss		21,206,229	49,877,553
Increase in securities purchased under agreements to re-sell		(60,097,641)	—
Decrease/(increase) in loans and accounts receivables		207,517,687	(69,069,619)
(Increase)/decrease in other assets		(11,825,409)	10,723,959
Decrease in financial liabilities at fair value through profit or loss		—	(9,224,440)
Decrease in other payables		(280,419)	(12,791,844)
Net cash flows from operating activities before tax		227,798,993	98,146,639
Income tax paid		(27,599,205)	(30,538,855)
Net cash flows from operating activities		200,199,788	67,607,784

	<i>Notes</i>	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, other intangible assets and other long-term assets		(54,302,027)	(258,379)
Disposal of items of property and equipment, other intangible assets and other long-term assets		598,040	642,202
Prepayment of restructuring investment agreement	23	—	(10,000,000)
Disposal of subsidiaries		<u>—</u>	<u>260,715</u>
Net cash flows used in investing activities		<u>(53,703,987)</u>	<u>(9,355,462)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		—	19,000,000
Repayment of bank and other borrowings		(8,919,251)	(48,432,876)
Interest paid		(1,360,014)	(218,418)
Principal portion of lease payments		(969,008)	(1,207,599)
Dividends paid	13	(34,000,000)	(34,000,000)
Dividends paid to non-controlling shareholders		(8,177,677)	(12,986,400)
Acquisition of non-controlling interests		<u>(101,497,149)</u>	<u>—</u>
Net cash flows used in financing activities	28	<u>(154,923,099)</u>	<u>(77,845,293)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		(8,427,298)	(19,592,971)
Effect of foreign exchange rate changes, net		111,484,915	131,077,717
		<u>(57,384)</u>	<u>169</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	<u>103,000,233</u>	<u>111,484,915</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2024

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

Quanzhou Huixin Micro-credit Co., Ltd. (the “**Company**”) was established as a limited liability company in the People’s Republic of China (the “**PRC**”) on 8 January 2010. The Company is a joint stock company incorporated in the PRC and its registered office is located at 12th Floor, Former Finance Building, No. 361, Feng Ze Street, Quanzhou City, Fujian Province, the PRC.

During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) were the provision of loans to small and medium enterprises (“**SMEs**”), micro-enterprises and entrepreneurial individuals, treasury operation and investment consulting services.

Information about subsidiaries

The following table contains particulars of the main subsidiaries which affected the results, assets or liabilities of the Group:

Name	Place of incorporation and kind of legal entity	Registered capital		Percentage of ownership interest held by the Company		Principal activities and place of operations
		Registered capital	Paid-up capital	Direct	Indirect	
Quanzhou Huixinxing Investment Co., Ltd. (“ Huixinxing ”)	Quanzhou, China Corporation	Renminbi (“ RMB ”) 50,000,000	RMB50,000,000	100.0%	—	Investment and advisory services, Quanzhou
Quanzhou Huizhixin Investment Co., Ltd. (“ Huizhixin ”)*	Quanzhou, China Corporation	United States dollars (“ USD ”) 10,000,000	USD10,000,000	—	99.0%	Investment, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd. (“ JJHX ”)**	Jinjiang, China Corporation	RMB320,000,000	RMB320,000,000	99.8%	—	Provision of micro-credit, Jinjiang
Fujian Huishangxing Asset Operation Co., Ltd.	Jinjiang, China Corporation	RMB10,000,000	RMB500,000	—	100.0%	Investment, Jinjiang
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	—	100.0%	Information technology advisory services, Jinjiang

Name	Place of incorporation and kind of legal entity	Registered		Percentage of ownership interest held by the Company		Principal activities and place of operations
		capital	Paid-up capital	Direct	Indirect	
Xiamen Huihengcheng Trading Co., Ltd.	Xiamen, China Corporation	RMB5,078,000	RMB5,078,000	—	100.0%	Wholesale, Xiamen
Jinjiang Huijincheng Investment Consulting Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	—	100.0%	Management advisory services, Jinjiang
Sichuan Puquan Trading Co., Ltd.	Sichuan, China Corporation	RMB10,000,000	RMB10,000,000	—	100.0%	Wholesale, Sichuan
Sichuan Xianpai Lingzhi Group Limited (“Sichuan Xianpai”)**	Sichuan, China Corporation	RMB40,000,000	RMB40,000,000	—	100.0%	Food manufacturing, Sichuan

* In January 2024, the Group acquired an aggregate of 24% of the equity interests in Huizhixin from other shareholders with a consideration of RMB18.55 million. Upon completion of the acquisition, the percentage of equity interests held by the Group has increased to 99%.

** In June 2024, the Group acquired an aggregate of 23% of the equity interests in JJHX from Xiamen Panhong Trading Co., Ltd. with a consideration of RMB82.96 million. In August 2024, equity change registration procedures were completed and the percentage of equity interests in JJHX held by the Group has increased to 99.8%.

*** In February 2024, as from the date when the Group fully settled the consideration of RMB65.0 million, the bankruptcy administrator of Sichuan Xianpai was applying to the Chengdu Intermediate Court for the release of equity pledge and sequestration, and assisting the Group in the transfer of the legal title of the shareholding. In April 2024, equity change registration procedures were completed and the Group has obtained the entire equity interests of Sichuan Xianpai.

**** A subsidiary of the Group, Fujian Huichangfu Real Estate Agency Co., Ltd., was dissolved on 12 June 2024.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. These financial statements are presented in RMB.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2024. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRS Accounting Standards are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 Issued but not yet Effective HKFRS Accounting Standards

The Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to HKFRS Accounting Standards — Volume 11 HKFRS</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that

prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards — Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term “cost method” with “at cost” in paragraph 37 of HKAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 Material Accounting Policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than deferred tax assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives, residual rates and annual depreciation rates used for this purpose are as follows:

Categories	Estimated useful life	Estimated residual rate	Annual depreciation rate
Buildings	20 years	5%	5%
Plants and machineries	3 to 5 years	5%	19% to 32%
Furniture and others	3 to 10 years	0 to 5%	10% to 33%
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets	0%	Over the shorter period of the lease term and the useful life of the assets

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life. The estimated useful life and principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual rate	Annual depreciation rate
Land and buildings	27.4 years	5%	3.5%

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The estimated useful lives of intangible assets are as follows:

Category	Estimated useful life
Software	1 to 3 years

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognised an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

The Group shall measure ECLs of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECLs, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include financial liabilities at fair value through profit or loss, other payables and interest-bearing borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, which are not restricted as to use.

Securities purchased under agreements to re-sell

The Group enters into purchases of securities under agreements to re-sell substantially identical securities. The amounts advanced under these agreements are classified as financial assets measured at amortised cost, and reflected as assets in the statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e., the original effective interest rate.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Employee benefits

Employee retirement scheme

The employees of the Group which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The provision and contributions have been included in profit or loss upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi Yuan, which is the Group's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Repossessed assets

Repossessed assets are initially recognised at fair value on the date of repossession, and the related loans receivable together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are presented as other assets.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses of RMB2,058,604 (2023: Nil) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB102,930. Further details on deferred taxes are disclosed in note 22 to the financial statements.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Reporting Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on loans and accounts receivables

The Group's ECL calculations for loans and accounts receivables are outputs of internal models with a number of underlying assumptions regarding the choice of variable inputs. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns the probability of default ("PD") to the individual grades;
- The Group's criteria for assessing whether there has been a significant increase in credit risk;
- The segmentation of loans and accounts receivables when their ECLs are assessed on a collective basis;
- The development of the ECL models, including the various formulas and the choice of inputs; and
- The selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs to the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and to adjust them when necessary. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair values of financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates the fair value by using valuation techniques. These include the use of recent arm's length transactions, option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments. For the description of valuation techniques, please refer to note 35. Using different valuation techniques and parameter assumptions may lead to some differences of fair value estimations.

4. SEGMENT REPORTING

Almost all of the Group's revenue was generated from the micro-credit business. The Company's chief operating decision makers focus on the operating results of the Group as a whole. Accordingly, no segment analysis or information about the Group's products and services is presented.

Geographical information

Almost all of the Group's revenue generated from external customers and assets were located in Quanzhou, Fujian Province in the PRC during the year.

5. INTEREST INCOME

	2024	2023
Interest income on:		
Loans and accounts receivables	112,739,941	140,179,323
Interest expense on:		
Bank loans and margin loans	(384,421)	(626,948)
Lease liabilities	<u>(53,811)</u>	<u>(173,431)</u>
Interest income, net	<u><u>112,301,709</u></u>	<u><u>139,378,944</u></u>

6. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLES

The table below shows the ECL charges on the financial instruments for the year recorded in profit or loss:

Year ended 31 December 2024

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivables	<u>(2,535,722)</u>	<u>(2,716,189)</u>	<u>18,397,616</u>	<u>13,145,705</u>
Total impairment losses	<u><u>(2,535,722)</u></u>	<u><u>(2,716,189)</u></u>	<u><u>18,397,616</u></u>	<u><u>13,145,705</u></u>

Year ended 31 December 2023

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivables	<u>2,115,194</u>	<u>554,227</u>	<u>23,528,123</u>	<u>26,197,544</u>
Total impairment losses	<u><u>2,115,194</u></u>	<u><u>554,227</u></u>	<u><u>23,528,123</u></u>	<u><u>26,197,544</u></u>

7. NET INVESTMENT GAINS

	2024	2023
Gain on disposal of subsidiaries	—	260,715
Dividend and other income	6,896,996	7,236,615
Net realised (losses)/gains	(4,701,156)	14,924,160
Financial assets at fair value through profit or loss	(3,859,029)	14,924,160
Financial liabilities at fair value through profit or loss	(842,127)	—
Unrealised gains/(losses)	52,679,756	(18,215,466)
Financial assets at fair value through profit or loss	51,837,629	(18,505,238)
Financial liabilities at fair value through profit or loss	<u>842,127</u>	<u>289,772</u>
Total	<u><u>54,875,596</u></u>	<u><u>4,206,024</u></u>

8. OTHER INCOME AND GAINS, NET

	2024	2023
Government grants	3,641,074	3,027,697
Interest from bank deposits	1,034,456	1,193,886
Gain on disposal of items of property and equipment	25,766	130,765
Others	<u>1,130,290</u>	<u>1,965,346</u>
Total	<u><u>5,831,586</u></u>	<u><u>6,317,694</u></u>

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2024	2023
Depreciation and amortisation	4,366,656	3,406,744
Staff costs:		
Salaries, bonuses and allowances	10,148,572	11,216,351
Other social welfare	2,023,138	2,114,447
Impairment losses on loans and accounts receivables	13,145,705	26,197,544
Impairment losses on goodwill	9,149,858	—
Auditor's remuneration	<u><u>1,509,434</u></u>	<u><u>1,509,434</u></u>

10. DIRECTORS' AND SUPERVISORS' REMUNERATION

The Company did not have a chief executive at any time during the year. Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name	Year ended 31 December 2024			Total
	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	
Executive Directors				
Wu Zhirui	—	934,192	73,793	1,007,985
Zhou Yongwei	—	—	—	—
Yan Zhijiang	—	622,211	73,793	696,004
Liu Aiqin	—	508,058	73,793	581,851
Non-executive Directors				
Jiang Haiying	—	—	—	—
Cai Rongjun	—	—	—	—
Independent Non-executive Directors				
Zheng Wenjian	90,878	—	—	90,878
Yang Dong John	90,878	—	—	90,878
Yang Zhanghua	90,878	—	—	90,878
Supervisors				
Wang Shijie	10,000	365,846	44,710	420,556
Li Jiancheng	—	—	—	—
Ruan Cen	10,000	186,906	39,742	236,648
Chen Jinzhu	20,000	—	—	20,000
Wu Lindi	20,000	—	—	20,000
Total	<u>332,634</u>	<u>2,617,213</u>	<u>305,831</u>	<u>3,255,678</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Year ended 31 December 2023

Name	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Wu Zhirui	—	971,640	71,247	1,042,887
Zhou Yongwei	—	—	—	—
Yan Zhijiang	—	609,640	71,303	680,943
Liu Aiqin	—	566,300	71,486	637,786
Non-executive Directors				
Jiang Haiying	—	—	—	—
Cai Rongjun	—	—	—	—
Independent Non-executive Directors				
Zheng Wenjian ¹	51,540	—	—	51,540
Yang Dong John ¹	51,540	—	—	51,540
Yang Zhanghua ¹	51,540	—	—	51,540
Zhang Lihe ²	38,818	—	—	38,818
Lin Jianguo ²	38,818	—	—	38,818
Sun Leland Li Hsun ²	38,818	—	—	38,818
Supervisors				
Wang Shijie	10,000	398,495	41,364	449,859
Li Jiancheng	—	—	—	—
Ruan Cen	10,000	199,675	38,339	248,014
Chen Jinzhu	20,000	—	—	20,000
Wu Lindi	20,000	—	—	20,000
Total	<u>331,074</u>	<u>2,745,750</u>	<u>293,739</u>	<u>3,370,563</u>

¹ Appointed as a director in June 2023

² Resigned as a director in June 2023

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included three directors (2023: three directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2023: two) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2024	2023
Salaries, allowances and benefits in kind	693,211	864,526
Contributions to a defined contribution scheme	<u>111,786</u>	<u>101,462</u>
Total	<u>804,997</u>	<u>965,988</u>

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of Individuals	
	2024	2023
Nil to RMB1,000,000	<u>2</u>	<u>2</u>

12. INCOME TAX EXPENSE

	2024	2023
Current income tax	17,585,612	29,663,792
Deferred income tax	<u>12,207,554</u>	<u>(6,284,484)</u>
Total	<u>29,793,166</u>	<u>23,379,308</u>

The Group conducts all of its businesses in Mainland China and the applicable income tax rate is generally 25% in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Group is domiciled to the tax expense at the effective tax rate is as follows:

	2024	2023
Profit before tax	126,126,263	99,569,043
Tax at the applicable tax rate of 25%	31,531,566	24,892,261
Lower tax rate for specific provinces or enacted by local authority	(1,563,699)	(371,481)
Adjustments in respect of current tax and deferred tax of previous periods	(1,643,155)	28,775
Income not subject to tax	(951,120)	(1,168,342)
Expenses not deductible for tax purposes	2,316,644	16,081
Tax losses utilised from previous periods	—	(17,986)
Tax losses not recognised	<u>102,930</u>	<u>—</u>
Total tax expense for the year at the Group's effective tax rate	<u>29,793,166</u>	<u>23,379,308</u>

13. DIVIDENDS

Pursuant to the resolution of the annual general meeting of the Company held on 7 June 2024, the Company distributed a cash dividend of RMB34.0 million to its shareholders for the year ended 31 December 2023.

Pursuant to the resolution of the board of directors of the Company passed on 26 March 2025, a final dividend of approximately RMB34.0 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of the statutory surplus reserve and general reserve and is subject to approval by shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the parent, and the weighted average number of ordinary shares outstanding during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year in respect of a dilution as the Company had no potentially dilutive ordinary shares outstanding during the year.

	2024	2023
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>91,713,602</u>	<u>64,814,928</u>
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	<u>680,000,000</u>	<u>680,000,000</u>
Basic and diluted earnings per share	<u>0.13</u>	<u>0.10</u>

15. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash on hand	23,450	1,675
Cash at banks	101,244,498	110,075,853
Cash equivalents	<u>1,732,285</u>	<u>1,407,387</u>
Cash and cash equivalents in the statement of cash flows	<u>103,000,233</u>	<u>111,484,915</u>

At the end of the Reporting Period, the cash and banks balances of the Group denominated in USD amounted to RMB2,876,273 (2023: RMB4,588,031). Cash at banks earns interest at floating rates based on daily bank deposit rates.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	31 December 2024	31 December 2023
At fair value through profit or loss			
Wealth management products	<i>(a)(b)</i>	30,265,314	70,327,086
Structured deposits	<i>(b)</i>	21,000,000	—
Listed equity investments	<i>(c)</i>	177,612,999	127,650,290
Listed funds		—	4,265,539
Designated as at fair value through profit or loss	<i>(d)</i>		
Unlisted equity investments and private equity funds		<u>51,426,002</u>	<u>47,430,000</u>
Total		<u>280,304,315</u>	<u>249,672,915</u>

- (a) Wealth management products purchased from time to time, which are held for a relatively short period of time, were offered by licensed commercial banks in the PRC.
- (b) Wealth management products and structured deposits were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.
- (c) The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.
- (d) The unlisted equity investments and private equity funds were designated as at fair value through profit or loss on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group.

17. LOANS AND ACCOUNTS RECEIVABLES

	31 December 2024	31 December 2023
Loans receivable	729,008,189	928,988,756
Lease receivables	247,674	292,791
Less: Unearned finance income	(54,702)	(56,392)
Net lease receivables	192,972	236,399
Less: Allowance for impairment	<u>(59,015,780)</u>	<u>(67,676,412)</u>
Net carrying amount	<u>670,185,381</u>	<u>861,548,743</u>

The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 31 December 2024, 2.1% (31 December 2023: Nil) of loans receivable were credit loans, 5.0% (31 December 2023: 15.7%) of loans receivable were guaranteed loans, and 92.9% (31 December 2023: 84.1%) of loans receivable were collateral-backed loans. As at 31 December 2024, the Group's loans receivable included an amount of RMB81.1 million (31 December 2023: RMB130.9 million) to customers for their purpose of purchasing non-performing loans ("NPLs") and the related collateral items from asset management companies and banks.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and accounts receivables is as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2023	510,697,660	124,035,824	223,382,554	858,116,038
New	1,148,620,581	—	—	1,148,620,581
Repayment	(1,042,769,956)	(6,350,151)	(30,430,855)	(1,079,550,962)
Transfer to Stage 1	24,000,000	(24,000,000)	—	—
Transfer to Stage 2	(94,658,269)	94,658,269	—	—
Transfer to Stage 3	(66,220,000)	(12,850,000)	79,070,000	—
Recovery of loans and accounts receivables written off	—	—	2,039,498	2,039,498
At 31 December 2023	<u>479,670,016</u>	<u>175,493,942</u>	<u>274,061,197</u>	<u>929,225,155</u>
New	854,501,910	—	—	854,501,910
Repayment	(933,076,786)	(27,109,406)	(101,833,405)	(1,062,019,597)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(21,552,961)	21,552,961	—	—
Transfer to Stage 3	—	—	—	—
Write-off	—	—	(29,998)	(29,998)
Recovery of loans and accounts receivables written off	—	—	7,523,691	7,523,691
At 31 December 2024	<u>379,542,179</u>	<u>169,937,497</u>	<u>179,721,485</u>	<u>729,201,161</u>

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards, such as criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECLs and forward-looking information.

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2023	3,392,291	4,593,262	50,736,845	58,722,398
Net charge/(reversal) of impairment	2,703,732	(829,747)	9,382,771	11,256,756
Transfer to Stage 1	855,975	(855,975)	—	—
Transfer to Stage 2	(509,254)	509,254	—	—
Transfer to Stage 3	(320,992)	(537,772)	858,764	—
Accreted interest on impaired loans	—	—	(19,283,028)	(19,283,028)
Impact on year end ECLs of exposures transferred between stages during the year	(614,267)	2,268,467	13,286,588	14,940,788
Recovery of loans and accounts receivables written off	—	—	2,039,498	2,039,498
At 31 December 2023	<u>5,507,485</u>	<u>5,147,489</u>	<u>57,021,438</u>	<u>67,676,412</u>
Net charge/(reversal) of impairment	(2,284,672)	(3,347,020)	18,397,616	12,765,924
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(251,050)	251,050	—	—
Transfer to Stage 3	—	—	—	—
Accreted interest on impaired loans	—	—	(29,300,030)	(29,300,030)
Impact on year end ECLs of exposures transferred between stages during the year	—	379,781	—	379,781
Write-off and transfer out	—	—	(29,998)	(29,998)
Recovery of loans and accounts receivables written off	—	—	7,523,691	7,523,691
At 31 December 2024	<u>2,971,763</u>	<u>2,431,300</u>	<u>53,612,717</u>	<u>59,015,780</u>

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plants and machineries	Furniture and others	Total
Cost:					
At 1 January 2023	7,128,280	5,280,826	—	5,428,853	17,837,959
Additions	<u>—</u>	<u>49,805</u>	<u>—</u>	<u>70,034</u>	<u>119,839</u>
At 31 December 2023	<u>7,128,280</u>	<u>5,330,631</u>	<u>—</u>	<u>5,498,887</u>	<u>17,957,798</u>
Additions	—	—	—	2,077,247	2,077,247
Acquisition*	—	—	769,703	—	769,703
Disposals	<u>—</u>	<u>—</u>	<u>(661,501)</u>	<u>(338,061)</u>	<u>(999,562)</u>
At 31 December 2024	<u>7,128,280</u>	<u>5,330,631</u>	<u>108,202</u>	<u>7,238,073</u>	<u>19,805,186</u>
Accumulated depreciation:					
At 1 January 2023	702,050	3,890,784	—	3,340,005	7,932,839
Depreciation charge for the year	<u>338,565</u>	<u>843,754</u>	<u>—</u>	<u>787,993</u>	<u>1,970,312</u>
At 31 December 2023	<u>1,040,615</u>	<u>4,734,538</u>	<u>—</u>	<u>4,127,998</u>	<u>9,903,151</u>
Depreciation charge for the year	338,565	571,190	128,202	632,732	1,670,689
Disposals	<u>—</u>	<u>—</u>	<u>(105,297)</u>	<u>(321,991)</u>	<u>(427,288)</u>
At 31 December 2024	<u>1,379,180</u>	<u>5,305,728</u>	<u>22,905</u>	<u>4,438,739</u>	<u>11,146,552</u>
Net carrying amount:					
At 31 December 2024	<u>5,749,100</u>	<u>24,903</u>	<u>85,297</u>	<u>2,799,334</u>	<u>8,658,634</u>
At 31 December 2023	<u>6,087,665</u>	<u>596,093</u>	<u>—</u>	<u>1,370,889</u>	<u>8,054,647</u>

* As disclosed in note 1 to the consolidated financial statements, the Group acquired the plants and machineries after obtaining the entire equity interests of Sichuan Xianpai in April 2024. The carrying values of the plants and machineries are allocated at their relative fair values at the acquisition date based on the acquisition consideration of Sichuan Xianpai.

19. INVESTMENT PROPERTIES

	Land and buildings
Cost:	
At 1 January 2024	—
Acquisition	<u>64,230,297</u>
At 31 December 2024	<u>64,230,297</u>
Accumulated depreciation:	
At 1 January 2024	—
Depreciation charge for the year	<u>(1,486,925)</u>
At 31 December 2024	<u>(1,486,925)</u>
Net carrying amount:	
At 31 December 2024	<u>62,743,372</u>
Fair value	
At 31 December 2024	<u>92,580,000</u>

Investment properties are located at Chengdu, Sichuan Province in the PRC. As disclosed in note 1 to the consolidated financial statements, the Group obtained the properties after the acquisition of the entire equity interests of Sichuan Xianpai in April 2024.

The certificates of some properties have not been obtained. The Directors believe that this has had no significant impact on the Group's financial statements.

The fair values of the investment properties as at 31 December 2024 were estimated by the Group, based on valuations performed by independent valuers. They fall within Level 3 in the fair value hierarchy.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

20. LEASES

The Group as a lessee

The Group has lease contracts for various items of property used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties
At 1 January 2023	1,112,194
Additions	1,585,621
Depreciation charge	<u>(868,467)</u>
At 31 December 2023	1,829,348
Additions	124,091
Depreciation charge	<u>(1,061,402)</u>
At 31 December 2024	<u>892,037</u>

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities
Carrying amount at 1 January 2023	1,191,218
New leases	1,585,621
Accretion of interest recognised during the year	173,431
Payments	<u>(1,207,599)</u>
Carrying amount at 31 December 2023	1,742,671
New leases	124,091
Accretion of interest recognised during the year	53,811
Payments	<u>(969,008)</u>
Carrying amount at 31 December 2024	<u>951,565</u>

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024	2023
Interest on lease liabilities	53,811	173,431
Depreciation charge for right-of-use assets	1,061,402	868,467
Expense relating to leases of low-value assets (included in operating and administrative expenses)	<u>276,511</u>	<u>161,655</u>
Total amount recognised in profit or loss	<u><u>1,391,724</u></u>	<u><u>1,203,553</u></u>

(d) The total cash outflow for leases is disclosed in note 28(c) to the financial statements. At 31 December 2024, there were no future cash outflows relating to leases that have not yet commenced.

21. GOODWILL

Cost at 1 January 2023, net of accumulated impairment	14,729,281
Impairment during the year	<u>—</u>
At 31 December 2023	<u><u>14,729,281</u></u>
At 31 December 2023:	
Cost	16,950,298
Accumulated impairment	<u>(2,221,017)</u>
Net carrying amount	<u><u>14,729,281</u></u>
Cost at 1 January 2024, net of accumulated impairment	14,729,281
Impairment during the year	<u>(9,149,858)</u>
At 31 December 2024	<u><u>5,579,423</u></u>
At 31 December 2024:	
Cost	16,950,298
Accumulated impairment	<u>(11,370,875)</u>
Net carrying amount	<u><u>5,579,423</u></u>

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the acquired subsidiaries as the cash-generating unit for impairment testing.

- Finance lease cash-generating unit; and
- Micro-credit cash-generating unit.

Finance lease cash-generating unit

In 2019, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB2,221,017 arising from the acquisition of Huizhixin (formerly known as Quanzhou Lianche Finance Leasing Co., Ltd.* (泉州市連車融資租賃有限公司)) was higher than its recoverable amount. As a result, an impairment loss of RMB2,221,017 was recognised.

Micro-credit cash-generating unit

The recoverable amount of the micro-credit cash-generating unit is determined at the higher of the fair value less costs of disposal and value in use. The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on financial forecast covering a five-year period approved by senior management. The discount rate (after tax) applied to the cash flow projections is 12% and cash flows beyond the five-year period were extrapolated using a growth rate of 2%. As at 31 December 2024, the recoverable amount is less than the carrying amount, as a result, an impairment loss of RMB9,149,858 was recognised.

The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

	31 December 2024	31 December 2023
Finance lease	2,221,017	2,221,017
Micro-credit	14,729,281	14,729,281
Less: Accumulated impairment	<u>(11,370,875)</u>	<u>(2,221,017)</u>
	<u>5,579,423</u>	<u>14,729,281</u>

Assumptions were used in the value-in-use calculation for 31 December 2024. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate — The discount rate used reflects specific risks relating to the relevant unit.

The values assigned to the discount rate is comparable with external information sources.

22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Gross deferred tax assets

	Impairment allowance for loans	Fair value adjustments of financial assets at fair value through profit or loss	Fair value adjustments of financial liabilities at fair value through profit or loss	Provision for a contingent liability	Deductible tax loss	Lease liabilities	Total
At 1 January 2023	16,284,074	7,615,260	282,975	3,278,564	—	—	27,460,873
Recognised in profit or loss	<u>1,945,016</u>	<u>3,074,743</u>	<u>(72,443)</u>	<u>29,133</u>	<u>153,203</u>	<u>457,337</u>	<u>5,586,989</u>
At 31 December 2023	18,229,090	10,690,003	210,532	3,307,697	153,203	457,337	33,047,862
Recognised in profit or loss	<u>(56,765)</u>	<u>(7,508,178)</u>	<u>(210,532)</u>	<u>—</u>	<u>(47,281)</u>	<u>(234,328)</u>	<u>(8,057,084)</u>
At 31 December 2024	<u>18,172,325</u>	<u>3,181,825</u>	<u>—</u>	<u>3,307,697</u>	<u>105,922</u>	<u>223,009</u>	<u>24,990,778</u>

Gross deferred tax liabilities

	Right-of-use assets	Fair value adjustments of financial assets at fair value through profit or loss	Total
At 1 January 2023	—	1,154,832	1,154,832
Recognised in profit or loss	<u>(457,337)</u>	<u>(1,154,832)</u>	<u>(1,612,169)</u>
At 31 December 2023	(457,337)	—	(457,337)
Recognised in profit or loss	<u>234,328</u>	<u>(4,384,798)</u>	<u>(4,150,470)</u>
At 31 December 2024	<u>(223,009)</u>	<u>(4,384,798)</u>	<u>(4,607,807)</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024	2023
Net deferred tax assets recognised in the consolidated statement of financial position	24,272,833	32,590,525
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(3,889,862)</u>	<u>—</u>

The Group had tax losses arising in Mainland China of RMB2,058,604 during the year (for the year ended 31 December 2023: Nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

23. OTHER ASSETS

	<i>Notes</i>	31 December 2024	31 December 2023
Reposessed assets	<i>(a)</i>	8,060,000	8,060,000
Prepayment and deposit	<i>(b)(c)</i>	11,940,000	13,000,000
Other receivables		1,329,086	1,609,249
Other		<u>1,945,442</u>	<u>192,189</u>
Total		<u>23,274,528</u>	<u>22,861,438</u>

Notes:

- (a) Reposessed assets are properties located at Quanzhou City, Fujian Province in the PRC. The contracts which effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2023: RMB8,060,000) have not been obtained because these properties are still under development.
- (b) As at 31 December 2024, a deposit of RMB10.0 million was paid to the bankruptcy administrator (the “**Administrator**”) of Sichuan Haoji Food Group Co., Ltd. (“**Sichuan Haoji**”), a company that was undergoing bankruptcy and restructuring. In October 2024, the Administrator initiated a process to publicly solicit investors to participate in the restructuring of Sichuan Haoji. A deposit of RMB10 million was required in order to participate in this process. As at the date of approval of the consolidated financial statements, the Group has not been selected as the investor and the deposit has been returned to the Group.

As at 31 December 2023, a prepayment and deposit of RMB13.0 million were paid to the bankruptcy administrator of Sichuan Xianpai for the acquisition of the entire equity interests of Sichuan Xianpai as disclosed in note 1 to the consolidated financial statements.

- (c) As at 31 December 2024, the Group entered into agreements to purchase NPL portfolios from a third party and paid deposits of RMB1,940,000. At the same time, the Group transferred part of the to-be-acquired NPL portfolios to some individual investors and received deposits of RMB3,250,000 as disclosed in note 25. As at the date of approval of the financial statements, this transaction has been completed.

24. INTEREST-BEARING BORROWINGS

	31 December 2024	31 December 2023
Margin loans payable:		
Within one year	<u>—</u>	<u>9,894,844</u>

As at 31 December 2023, the annual interest rate of the above loans was 5.00%.

The margin loans payable of RMB9.9 million as at 31 December 2023 were secured by the pledge of certain listed equity investments amounting to RMB25,159,011.

25. OTHER PAYABLES

	31 December 2024	31 December 2023
Payrolls payable	2,618,167	3,603,799
Value-added tax, and surcharges payable	1,108,996	1,666,111
Deposits received*	3,285,450	200,000
Securities settlement payable	1,070,000	—
Others	<u>1,901,637</u>	<u>4,857,468</u>
Total	<u>9,984,250</u>	<u>10,327,378</u>

* As at 31 December 2024, the balance mainly included deposits of RMB3,250,000 received in connection with the transfer of part of the NPL portfolios, as disclosed in note 23(c).

26. SHARE CAPITAL

	31 December 2024	31 December 2023
Issued and fully paid ordinary shares of RMB1 each	<u>680,000,000</u>	<u>680,000,000</u>

27. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

Capital reserve

The capital reserve comprises share premium, which represents the difference between the par value of the shares of the Group and the proceeds received from the issuance of the shares of the Group.

Surplus reserve

The surplus reserve comprises the statutory surplus reserve and the discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of their net profit, as determined under China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital.

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

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

General reserve

In accordance with the relevant regulations, the Company and one of its subsidiaries JJHX are required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets. Such reserve is not available for profit distribution or transfer to capital. As at 31 December 2024, the balance of the general reserve of the Group was RMB19.1 million (31 December 2023: RMB19.1 million), which is not lower than 1.5% of its risk assets.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB124,091 (2023: RMB1,585,621) and RMB124,091 (2023: RMB1,585,621), respectively, in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	Interest-bearing borrowing and interest payable	Lease liabilities	Amounts due to shareholders	Amounts due to non- controlling shareholders
At 1 January 2024	9,894,844	1,742,671	—	—
Changes from financing cash flows	(10,279,265)	(969,008)	(34,000,000)	(109,674,826)
New leases	—	124,091	—	—
2023 final dividends payable	—	—	34,000,000	8,177,677
Acquisition of non-controlling interests	—	—	—	101,497,149
Interest expense	384,421	53,811	—	—
At 31 December 2024	—	951,565	—	—
	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders	Amounts due to non-controlling shareholders
At 1 January 2023	38,919,190	1,191,218	—	—
Changes from financing cash flows	(29,651,294)	(1,207,599)	(34,000,000)	(12,986,400)
New leases	—	1,585,621	—	—
2022 final dividends payable	—	—	34,000,000	12,986,400
Interest expense	626,948	173,431	—	—
At 31 December 2023	9,894,844	1,742,671	—	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024	2023
Within operating activities	276,511	161,655
Within financing activities	969,008	1,207,599

29. RELATED PARTY DISCLOSURES

(a) Name and relationship

Name of related party	Relationship with the Group
Septwolves Group	Major shareholders
Fujian Baiying Pawn Co., Ltd.	Member of the group controlled by the major shareholder
Xiamen Siming Baiying Micro-credit Co., Ltd (“Siming Baiying”)	Member of the group controlled by the major shareholder
Xiamen Septwolves Asset Management Co., Ltd.	Member of the group controlled by the major shareholder
Quanzhou Henghe Investment Development Co., Ltd.	Member of the group controlled by the major shareholder
Fujian Septwolves Group Finance Co., Ltd	Member of the group controlled by the major shareholder
Xiamen Huakaifugui Property Management Co., Ltd.	Member of the group controlled by the major shareholder
Quanzhou JixiangFugui Property Management Co., Ltd.	Member of the group controlled by the major shareholder
Xiamen Huakaijixiang Property Management Co., Ltd.	Member of the group controlled by the major shareholder

(b) Compensation of key management personnel of the Group

	2024	2023
Salaries and other short-term employee benefits	<u>2,285,839</u>	<u>2,361,615</u>

Further details of non-executive directors’ and supervisors’ emoluments are included in note 10 to the consolidated financial statements.

(c) Loan guarantee

There was no interest-bearing borrowing (31 December 2023: Nil) as at 31 December 2024 guaranteed by Septwolves Group. The guarantee fee of RMB69,802 (2023: RMB35,943) was accrued during the year, which was based on fixed rates of the balance of the interest-bearing borrowings and used credit line respectively.

(d) Loan facilitation services

During the year, the Group provided loan facilitation services to related parties, Fujian Baiying Pawn Co., Ltd. (formerly known as Fujian Yuanheng Pegadaian Co., Ltd.), and received a fee of RMB27,021 (2023: RMB149,059).

(e) **Entrust loans**

Siming Baiying was contracted to manage the administration and collection of entrusted loans, on behalf of the Group. In this regard, Siming Baiying granted loans to borrowers, as an intermediary, at the direction of the Group. The Group determined both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedules. As at 31 December 2024, the outstanding balance of the loans administered by Siming Baiying was RMB5.2 million (31 December 2023: RMB6.0 million).

(f) **Lease payments and property management fees**

	2024	2023
Lease payments		
Xiamen Septwolves Asset Management Co., Ltd.	133,432	133,425
Quanzhou Henghe Investment Development Co., Ltd.	835,576	1,044,470
Lease income		
Fujian Septwolves Group Finance Co., Ltd	54,445	54,445
Property management fees		
Xiamen Huakaifugui Property Management Co., Ltd.	—	32,907
Quanzhou Jixiangfugui Property Management Co., Ltd.	155,502	75,432
Xiamen Huakaijixiang Property Management Co., Ltd.	<u>43,277</u>	<u>10,266</u>

30. CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liability, guarantee or any other material litigation or claim outstanding or threatened against the Group that could have a material adverse effect on its business, financial condition or results of operations.

31. COMMITMENTS

As at 31 December 2024, the Group did not have any significant contractual commitments.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows:

	31 December 2024	31 December 2023
Financial assets		
Financial assets at fair value through profit or loss	280,304,315	249,672,915
Financial assets at amortised cost		
— Cash and cash equivalents	103,000,233	111,484,915
— Securities purchased under agreements to re-sell	60,097,641	—
— Loans and accounts receivables	670,185,381	861,548,743
— Other receivables	13,269,086	14,520,547
	<u>1,126,856,656</u>	<u>1,237,227,120</u>
Financial liabilities		
Financial liabilities at fair value through profit or loss	—	842,127
Financial liabilities at amortised cost		
— Interest-bearing borrowings	—	9,894,844
— Other payables	6,257,087	5,057,468
	<u>6,257,087</u>	<u>15,794,439</u>

33. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments include credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk. The Group has no significant exposures to other financial risks except as disclosed below. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Group manages the loans granted to SMEs, microenterprises and entrepreneurial individuals with the same policies and procedures.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures; and
- Risk management policies and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit assessment, granting of credit limits, loan evaluation, loan review and approval, granting of loans and post-disbursement loan monitoring.

In the lending business, the Group adopts a loan classification approach to manage its loan portfolio risk. The Group's loans are categorised as “normal”, “special-mention”, “substandard”, “doubtful” or “loss” according to their levels of risk. The core definitions of the five categories of loans receivable are set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay the principal and interest in full on a timely basis.
- Special-mention: Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay the principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay the principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

To strengthen the credit risk management practices, the Group also launches training programmes periodically for credit officers at different levels.

The Group is exposed to credit risk primarily associated with cash at banks, securities purchased under agreements to re-sell, loans and accounts receivables and other receivables. The credit risk of these assets mainly arises from the counterparties' failure to discharge their contractual obligations and the maximum exposure equals the carrying amount.

Impairment assessment

The main consideration for the loan impairment assessment includes whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Group conducts an assessment of ECLs according to forward-looking information and uses complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECLs
- Forward-looking information

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, internal rating grade, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of each reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the increase in the remaining lifetime probability of default is considered significant comparing with the one at initial recognition.

Qualitative criteria

- Significant adverse change in debtors' operation or financial status
- Be classified into the Special Mention category within the five-tier loan classification

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due.

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under HKFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Internal rating of the borrower indicating default or near-default;
- Significant financial difficulty of the issuer or the customer;
- The debtor leaves any of the loans receivable of the Group overdue for more than 90 days; and
- It is becoming probable that the customer will enter bankruptcy or other financial restructuring.

The credit impairment of a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group mainly evaluate the future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis. ECLs are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Parameters of ECL measurement

Based on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss on different assets with ECLs of 12 months or the entire lifetime respectively. The key measuring parameters of ECLs include PD, loss given default (“**LGD**”) and exposure at default (“**EAD**”). The Group takes into account the quantitative analysis of historical statistics (such as the internal rating grade, manners of guarantees and types of collateral, and repayments) and forward-looking information in order to establish the models of PD, LGD and EAD.

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group’s PD is adjusted based on the results of the internal rating grade, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor’s point-in-time PD under the current macroeconomic environment.
- LGD refers to the Group’s expectation of the extent of the loss resulting from the default exposure. Depending on the type of the counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime.
- EAD is the amount that the Group should reimburse at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

Both of the assessment of a significant increase in credit risk and the calculation of ECLs involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs, such as GDP growth, central bank base rates and price indices.

Collateral and other credit enhancements

The amount and the type of collateral required depend on the assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The collateral obtained by the Group mainly consists of mortgages on land use rights, building ownership rights or equipment and pledges of shares. All collateral is registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of the collateral regularly.

Although collateral can mitigate credit risk to a certain extent, the Group mostly grants loans based on the assessment of the borrowers’ ability to meet obligations out of their cash flows, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

It is the Group’s policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

The tables below summarise the gross carrying amount of impaired loans by type of collateral, guarantee and overdue period.

31 December 2024					
	Not overdue	Overdue for 3 months or less	Overdue for 3 to 12 months	Overdue for more than 1 year	Total
Guaranteed loans	—	—	—	9,574,003	9,574,003
Collateral-backed loans with guarantees	—	—	87,220,000	82,927,482	170,147,482
Total	—	—	87,220,000	92,501,485	179,721,485
31 December 2023					
	Not overdue	Overdue for 3 months or less	Overdue for 3 to 12 months	Overdue for more than 1 year	Total
Guaranteed loans	—	—	—	84,251,829	84,251,829
Collateral-backed loans with guarantees	—	60,195,898	43,220,000	86,393,470	189,809,368
Total	—	60,195,898	43,220,000	170,645,299	274,061,197

Credit quality of loans receivable

A loan or advance is identified as an impaired loan if there is objective evidence indicating that the loan's estimated future cash flows are influenced by one or several factors and the impact can be estimated reliably. The Group closely monitors the credit quality of the loans, and uses measures such as disposal of impaired loans to mitigate the overall credit risk exposure.

The Group manages the credit quality of financial assets using credit ratings. The table below shows the credit quality of loans receivable exposed to credit risk, based on the Group's credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired	Past due but not impaired	Impaired loans	Total
31 December 2024	449,152,823	100,326,853	179,721,485	729,201,161
31 December 2023	655,163,958	—	274,061,197	929,225,155

According to past experience, the Group does not recognise individual allowance for these loans receivable that are neither past due nor impaired or past due but not impaired since there is no significant change in credit quality and the amount is expected to be recovered in full.

As at 31 December 2024, the loans past due but not impaired related to the individual customers with no default history. According to past experience, the Group does not recognise individual allowance for these loans receivable since there is no significant change in credit quality and the amount is expected to be recovered in full.

Analysis of risk concentration

Since the loans are granted to third parties whose creditworthiness has been assessed by the Group, no collateral is required in certain cases. The Group manages its exposure to the concentration of credit risk by diversifying its portfolio in terms of customer type and industry. Because its business operations are subject to the geographic restrictions of its operating licence, the Group is exposed to the credit risk of geographic concentration. However, although its customers are concentrated in Quanzhou City, the Group provides loans to a wide variety of customers that operate in different industries in order to mitigate its exposure to such risk.

Maximum exposure to credit risk before collateral held or other enhancements

The table below shows the maximum exposure to credit risk based on the Group's credit policy.

	31 December 2024	31 December 2023
Cash and cash equivalents*	102,976,783	111,483,240
Securities purchased under agreements to re-sell	60,097,641	—
Loans and accounts receivables	670,185,381	861,548,743
Other receivables	<u>13,269,086</u>	<u>14,520,547</u>
Total	<u><u>846,528,891</u></u>	<u><u>987,552,530</u></u>

* Excluding cash on hand

The table above represents the worst-case scenario of credit risk exposure of the Group as at 31 December 2024 and 2023, without taking into account any collateral held, or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

(b) Foreign currency risk

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits and listed equity investments denominated in HKD and USD.

The following table demonstrates the sensitivity at the end of the Reporting Period to a reasonably possible change in the HKD and USD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity.

2024

Changes in exchange rates	Impact on profit before tax	Impact on equity
5% appreciation against RMB	4,756,475	4,756,475
5% depreciation against RMB	<u>(4,756,475)</u>	<u>(4,756,475)</u>

2023

Changes in exchange rates	Impact on profit before tax	Impact on equity
5% appreciation against RMB	2,375,465	2,375,465
5% depreciation against RMB	<u>(2,375,465)</u>	<u>(2,375,465)</u>

The above impact on equity represents adjustments to profit before tax.

(c) Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its cash at banks, securities purchased under agreements to re-sell, loans and accounts receivables and interest-bearing borrowings. The majority of the Group's loans and accounts receivables bear interest at fixed rates. They are mostly influenced by the mismatch of the repricing dates of interest-generating assets and interest-bearing liabilities. The Group does not use derivative financial instruments to manage its interest rate risk.

The table below analyses the Group's interest rate risk exposure on financial assets and liabilities.

The assets and liabilities are included at the carrying amount and categorised by the earlier of the contractual repricing and the maturity date.

	31 December 2024					Total
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	
Financial assets:						
Cash and cash equivalents	—	—	—	—	102,976,783	102,976,783
Securities purchased under agreements to re-sell	—	60,097,641	—	—	—	60,097,641
Loans and accounts receivables	<u>224,848,964</u>	<u>34,655,835</u>	<u>385,022,858</u>	<u>25,657,724</u>	—	<u>670,185,381</u>
Subtotal	<u>224,848,964</u>	<u>94,753,476</u>	<u>385,022,858</u>	<u>25,657,724</u>	<u>102,976,783</u>	<u>833,259,805</u>
Exposure to interest sensitivity	<u>224,848,964</u>	<u>94,753,476</u>	<u>385,022,858</u>	<u>25,657,724</u>	<u>102,976,783</u>	<u>833,259,805</u>

	31 December 2023					Total
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	
Financial assets:						
Cash and cash equivalents	—	—	—	—	111,483,240	111,483,240
Loans and accounts receivables	<u>217,039,759</u>	<u>149,937,818</u>	<u>376,967,369</u>	<u>117,603,797</u>	<u>—</u>	<u>861,548,743</u>
Subtotal	<u>217,039,759</u>	<u>149,937,818</u>	<u>376,967,369</u>	<u>117,603,797</u>	<u>111,483,240</u>	<u>973,031,983</u>
Financial liabilities:						
Interest-bearing borrowings	<u>—</u>	<u>—</u>	<u>9,894,844</u>	<u>—</u>	<u>—</u>	<u>9,894,844</u>
Subtotal	<u>—</u>	<u>—</u>	<u>9,894,844</u>	<u>—</u>	<u>—</u>	<u>9,894,844</u>
Exposure to interest sensitivity	<u>217,039,759</u>	<u>149,937,818</u>	<u>367,072,525</u>	<u>117,603,797</u>	<u>111,483,240</u>	<u>963,137,139</u>

The following table demonstrates the sensitivity as at the end of the Reporting Period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate instruments). The Group's equity is not affected, other than the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before tax.

	2024	2023
	Impact on profit before tax	Impact on profit before tax
Changes in variables		
+ 50 basis points	1,388,421	1,901,655
- 50 basis points	<u>(1,388,421)</u>	<u>(1,901,655)</u>

(d) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk arising from financial assets at fair value through profit or loss (note 16). As at 31 December 2024, a 10% increase in the fair value of the financial assets, with all other variables held constant, would lead to an increase of financial assets at fair value through profit or loss by RMB28.0 million (31 December 2023: RMB25.0 million).

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

The Group seeks to manage its liquidity risk by circulating liquidity facilities. The facilities take into account the maturity dates of financial instruments and estimated cash flows from operation.

The tables below present the cash flows of the Group of financial assets and financial liabilities that will be settled on a net basis and on a gross basis by the remaining contractual maturities at the financial reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

		31 December 2024						
		On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Undated	Total
Financial assets:								
Cash and cash equivalents		103,000,233	—	—	—	—	—	103,000,233
Securities purchased under agreements to re-sell		—	—	60,097,641	—	—	—	60,097,641
Financial assets at fair value through profit or loss		30,265,314	—	21,333,200	—	—	229,039,001	280,637,515
Loans and accounts receivables		—	280,103,039	49,393,714	402,917,989	28,575,637	—	760,990,379
Other assets		—	—	12,724,437	48,059	496,590	—	13,269,086
Subtotal		<u>133,265,547</u>	<u>280,103,039</u>	<u>143,548,992</u>	<u>402,966,048</u>	<u>29,072,227</u>	<u>229,039,001</u>	<u>1,217,994,854</u>
Financial liabilities:								
Lease liabilities		—	—	243,116	729,348	—	—	972,464
Other payables		—	—	5,947,835	274,471	34,781	—	6,257,087
Subtotal		<u>—</u>	<u>—</u>	<u>6,190,951</u>	<u>1,003,819</u>	<u>34,781</u>	<u>—</u>	<u>7,229,551</u>
Net		<u>133,265,547</u>	<u>280,103,039</u>	<u>137,358,041</u>	<u>401,962,229</u>	<u>29,037,446</u>	<u>229,039,001</u>	<u>1,210,765,303</u>
		31 December 2023						
		On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Undated	Total
Financial assets:								
Cash and cash equivalents		111,484,915	—	—	—	—	—	111,484,915
Financial assets at fair value through profit or loss		70,327,086	—	—	—	—	179,345,829	249,672,915
Loans and accounts receivables		—	274,116,038	171,527,284	347,571,662	174,381,300	—	967,596,284
Other assets		—	—	1,397,875	10,089,466	3,033,206	—	14,520,547
Subtotal		<u>181,812,001</u>	<u>274,116,038</u>	<u>172,925,159</u>	<u>357,661,128</u>	<u>177,414,506</u>	<u>179,345,829</u>	<u>1,343,274,661</u>
Financial liabilities:								
Interest-bearing borrowings		—	—	1,147,843	9,017,054	—	—	10,164,897
Financial liabilities at fair value through profit or loss		—	—	—	—	—	842,127	842,127
Lease liabilities		—	—	242,252	726,756	835,576	—	1,804,584
Other payables		—	—	4,941,115	—	116,353	—	5,057,468
Subtotal		<u>—</u>	<u>—</u>	<u>6,331,210</u>	<u>9,743,810</u>	<u>951,929</u>	<u>842,127</u>	<u>17,869,076</u>
Net		<u>181,812,001</u>	<u>274,116,038</u>	<u>166,593,949</u>	<u>347,917,318</u>	<u>176,462,577</u>	<u>178,503,702</u>	<u>1,325,405,585</u>

(f) Capital management

The primary objectives of the Group's capital 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 maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2024.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing borrowings and lease liabilities, less cash and cash equivalents. Management regards total equity, which includes share capital, reserves and retained profits, as capital. The gearing ratios as at the end of the Reporting Periods were as follows:

	31 December 2024	31 December 2023
Interest-bearing borrowings	—	9,894,844
Less: Cash and cash equivalents	<u>103,000,233</u>	<u>111,484,915</u>
Net debt	(103,000,233)	(101,590,071)
Share capital	680,000,000	680,000,000
Reserves	175,987,158	170,210,456
Retained profits	<u>363,717,164</u>	<u>308,884,907</u>
Capital	<u>1,219,704,322</u>	<u>1,159,095,363</u>
Capital and net debt	<u>1,116,704,089</u>	<u>1,057,505,292</u>
Gearing ratio	<u>-9.2%</u>	<u>-9.6%</u>

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities classified into relevant maturity groupings based on the remaining period from the financial reporting date to the contractual maturity date. For purposes of the table set forth, “loans and accounts receivables” are considered overdue only if principal payments are overdue. In addition, for loans and accounts receivables that are repayable by instalments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity:

	31 December 2024					Total
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash equivalents	103,000,233	—	—	—	—	103,000,233
Financial assets held under resale agreements	—	—	60,097,641	—	—	60,097,641
Financial assets at fair value through profit or loss	30,265,314	229,039,001	21,000,000	—	—	280,304,315
Loans and accounts receivables	—	136,191,865	38,151,157	455,366,642	40,475,717	670,185,381
Other	—	—	12,988,022	1,729,918	110,803,979	125,521,919
Subtotal	133,265,547	365,230,866	132,236,820	457,096,560	151,279,696	1,239,109,489
Liabilities:						
Lease liabilities	—	—	242,255	709,310	—	951,565
Other	—	—	12,779,028	274,471	3,924,642	16,978,141
Subtotal	—	—	13,021,283	983,781	3,924,642	17,929,706
Net	133,265,547	365,230,866	119,215,537	456,112,779	147,355,054	1,221,179,783
	31 December 2023					
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	111,484,915	—	—	—	—	111,484,915
Financial assets at fair value through profit or loss	70,327,086	179,345,829	—	—	—	249,672,915
Loans and accounts receivables	—	82,020,223	174,422,953	458,237,939	146,867,628	861,548,743
Other	192,190	—	1,397,875	10,178,169	68,402,738	80,170,972
Subtotal	182,004,191	261,366,052	175,820,828	468,416,108	215,270,366	1,302,877,545
Liabilities:						
Interest-bearing borrowings	—	—	975,653	8,919,191	—	9,894,844
Financial liabilities at fair value through profit or loss	—	842,127	—	—	—	842,127
Lease liabilities	—	—	231,604	684,076	826,991	1,742,671
Other	—	—	21,760,038	—	116,353	21,876,391
Subtotal	—	842,127	22,967,295	9,603,267	943,344	34,356,033
Net	182,004,191	260,523,925	152,853,533	458,812,841	214,327,022	1,268,521,512

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's financial assets mainly include cash at banks, securities purchased under agreements to re-sell, financial assets at fair value through profit or loss, and loans and accounts receivables.

The Group's financial liabilities mainly include interest-bearing borrowings, lease liabilities and other payables.

Due to the short remaining period or periodical repricing to reflect the market price, the carrying amounts of these financial assets and liabilities measured at amortised cost approximate to their fair values.

The Group's finance department headed by the Director is responsible for determining the policies and procedures for the fair value measurements of financial instruments. The Director reports directly to the audit committee. At each reporting date, the Group analyses the movements in the values of financial instruments. The valuation is reviewed and approved by the general manager.

The fair values of unlisted equity investments and private equity funds were determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; making reference to the current market value of another instrument that is substantially the same, and net assets making as much use of available and supportable market data as possible. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, are reasonable, and that they were the most appropriate values at the end of the Reporting Period.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets at fair value through profit or loss	<u>177,612,999</u>	<u>51,265,314</u>	<u>51,426,002</u>	<u>280,304,315</u>

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets at fair value through profit or loss	<u>131,915,829</u>	<u>70,327,086</u>	<u>47,430,000</u>	<u>249,672,915</u>
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>842,127</u>	<u>—</u>	<u>842,127</u>

In 2024, there were no transfers between Level 1 and Level 2 (2023: Nil).

Significant unobservable input value in Level 3 fair value measurement

<u>As at 31 December 2024</u>	<u>Fair value</u>	<u>Valuation techniques and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Relationship between unobservable inputs and fair value</u>
Unlisted equity investments	3,828,935	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	47,597,067	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
<u>As at 31 December 2023</u>	<u>Fair value</u>	<u>Valuation techniques and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Relationship between unobservable inputs and fair value</u>
Unlisted equity investments	3,828,935	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	43,601,065	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value

The movements in fair value measurements within Level 3 during the year are as follows:

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
As at 1 January 2023	112,613,186	(10,356,339)
Disposed	(62,221,984)	9,224,440
Transfer out	—	842,127
Total losses recognised in profit or loss	<u>(2,961,202)</u>	<u>289,772</u>
As at 31 December 2023	47,430,000	—
Total gains recognised in profit or loss	<u>3,996,002</u>	<u>—</u>
As at 31 December 2024	<u>51,426,002</u>	<u>—</u>

36. EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed in other notes, the Group had no significant events after the Reporting Period.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the Reporting Period is as follows:

	31 December 2024	31 December 2023
ASSETS		
Cash and cash equivalents	77,303,562	67,302,032
Financial assets at fair value through profit or loss	21,000,000	14,089,093
Loans and accounts receivables	167,488,187	259,578,393
Property and equipment	1,101,421	1,083,371
Right-of-use assets	892,037	1,829,348
Investments in subsidiaries	423,278,345	340,888,345
Deferred tax assets	20,423,818	20,478,713
Other assets	<u>400,953,106</u>	<u>415,882,719</u>
TOTAL ASSETS	<u>1,112,440,476</u>	<u>1,121,132,014</u>
LIABILITIES		
Lease liabilities	951,565	1,742,671
Income tax payable	—	938,396
Other payables	<u>1,776,569</u>	<u>3,552,060</u>
TOTAL LIABILITIES	<u>2,728,134</u>	<u>6,233,127</u>
NET ASSETS	<u>1,109,712,342</u>	<u>1,114,898,887</u>
EQUITY		
Share capital	680,000,000	680,000,000
Reserves	164,307,076	161,425,731
Retained profits	<u>265,405,266</u>	<u>273,473,156</u>
TOTAL EQUITY	<u>1,109,712,342</u>	<u>1,114,898,887</u>

A summary of the Company's reserves is as follows:

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2023	69,383,972	69,662,030	16,276,267	155,322,269
Appropriation to surplus reserve	<u>—</u>	<u>6,103,462</u>	<u>—</u>	<u>6,103,462</u>
Balance as at 31 December 2023 and 1 January 2024	69,383,972	75,765,492	16,276,267	161,425,731
Appropriation to surplus reserve	<u>—</u>	<u>2,881,345</u>	<u>—</u>	<u>2,881,345</u>
Balance as at 31 December 2024	<u>69,383,972</u>	<u>78,646,837</u>	<u>16,276,267</u>	<u>164,307,076</u>

38. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 26 March 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2014, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) designated Quanzhou City as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises. In December 2015, the State Council promulgated the *Plan for Promoting the Development of Inclusive Finance (2016–2020)* (*Guo Fa [2015] No. 74*) (推進普惠金融發展規劃 (2016–2020年) (國發[2015]74號)), which aims to improve the quality and the coverage of inclusive finance service. In 2017, the government of Quanzhou City promulgated the *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which encourages microfinance companies to develop innovative businesses. In 2018, the Quanzhou Financial Affairs Bureau (泉州市金融工作局) and certain other government departments promulgated *Opinions on the Implementation of Strengthening Financial Services of Real Economy to further Facilitate and Reduce the Cost of the Financing* (關於加強實體經濟金融服務進一步緩解融資難融資貴的實施意見), which allow microfinance companies in Quanzhou to comprehensively carry out microfinance business mainly for SMEs and ‘agriculture, rural and farmers’ (三農) in Quanzhou City. In 2021, to further support the development of microfinance companies in Quanzhou City, Quanzhou Financial Affairs Office promulgated *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies* (泉州市金融工作辦公室關於促進小額貸款公司持續健康發展的若干意見).

Business Overview

Our Group is principally engaged in loan business. Based in Quanzhou City, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2024, according to the statistics of the Fujian Financial Supervision Bureau (福建省地方金融監督管理局). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs.

During the Reporting Period, we generated substantially all of our income by charging interest on the loans extended to our customers. For the year ended 31 December 2024, the total loans granted to our customers amounted to RMB888.2 million. Our interest income from loans receivable was RMB112.7 million for the year ended 31 December 2024.

We financed our operations primarily through a combination of share capital of our shareholders. The following table sets out our share capital, net capital, principal amount of outstanding loans, and loan/net capital ratio as of the dates indicated:

	As of 31 December	
	2024	2023
Share capital (<i>RMB in millions</i>)	680.0	680.0
Net capital (<i>RMB in millions</i>) ⁽¹⁾	1,221.2	1,268.5
Principal amount of outstanding loans (<i>RMB in millions</i>)	727.7	925.9
Loan/net capital ratio ⁽²⁾	0.60 times	0.73 times

Notes:

(1) Represents the aggregate of our share capital, reserves and retained profits of our Group.

(2) Represents the principal amount of our outstanding loans divided by our net capital.

Our Loan Business

Loan Portfolio

The principal amount of our outstanding loans decreased from RMB925.9 million as of 31 December 2023 to RMB727.7 million as of 31 December 2024, primarily due to the adjustment of our loan size as banks have expanded their loan market share because of the easing credit policies.

The following table sets out the balance of our loans by industry as of the dates indicated:

	As of 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Manufacturing	300,425	41.3	363,003	39.2
Wholesale and retail	89,587	12.3	91,988	9.9
Financial	114,177	15.7	157,369	17.0
Construction	103,730	14.3	72,372	7.8
Public facilities and commercial service	56,618	7.8	69,890	7.5
Agriculture	—	—	74,500	8.0
Transportation, warehousing and post	14,900	2.0	2,050	0.2
Others	48,219	6.6	94,695	10.4
Total	<u>727,656</u>	<u>100.0</u>	<u>925,867</u>	<u>100.0</u>

Revolving Loans and Term Loans

We offer two types of loans, namely, revolving loans and term loans, as part of our flexible financing solutions, depending on a customer's repayment and re-borrowing needs. The following table sets out the principal amount of our revolving loans and term loans as of the dates indicated:

	As of 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Revolving loans	525,797	72.3	629,104	67.9
Term loans	<u>201,859</u>	<u>27.7</u>	<u>296,763</u>	<u>32.1</u>
Total	<u>727,656</u>	<u>100.0</u>	<u>925,867</u>	<u>100.0</u>

Loan Portfolio by Security

Our loans receivable consist of credit loans, guaranteed loans and collateral-backed loans. The following table sets out our loan portfolio by security as of the dates indicated:

	As of 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Credit loans	15,000	2.1	1,400	0.2
Guaranteed loans	36,519	5.0	145,052	15.7
Collateral-backed loans				
— with guarantee	378,674	52.0	381,636	41.1
— without guarantee	<u>297,463</u>	<u>40.9</u>	<u>397,779</u>	<u>43.0</u>
Total	<u>727,656</u>	<u>100.0</u>	<u>925,867</u>	<u>100.0</u>

Our clients primarily include entrepreneurial individuals, SMEs, and microenterprises. As of 31 December 2023, the balance of outstanding loan of our largest client and five largest clients was RMB45.8 million and RMB144.2 million respectively, accounting of 4.9% and 15.6% of our total balance of outstanding loan. RMB0.2 million of interest receivables has been accrued from the five largest clients for the same period. As of 31 December 2024, the balance of outstanding loan of our largest client and five largest clients was RMB37.4 million and RMB131.4 million respectively, accounting of 5.1% and 18.1% of our total balance of outstanding loan. As of 31 December 2024, there was no interest receivables from the five largest clients. The annual interest rates of the five largest clients range from 13.2% to 18.0% with the loan terms ranging from 3 to 24 months. Among the five

largest clients, four are SMEs or microenterprises and one is entrepreneurial individual, involving in manufacturing industry, construction industry and finance industry. All the above loans are guaranteed loans or collateral-backed loans.

Collateral-backed Loans

The collateral obtained by our Group under our collateral-backed loans mainly consists of mortgages on land use rights, building ownership rights, pledge of shares and others. The following table sets out the types of collaterals under our collateral-backed loans as of the dates indicated:

	As of 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Building ownership rights	245,185	376,653
Building and land use rights	130,650	111,200
Shares	159,162	157,690
Others	141,140	133,872

Maturity Profile of Loan Portfolio

As of 31 December 2024, our maturity profiles within one year and over one year accounted for 94.4% and 5.6% of the total principal amount of outstanding loans, respectively. The following table sets out the maturity profile of our loans based on the contractual maturity date of the principal amount as of the dates indicated:

	As of 31 December			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Principal amount of outstanding loans:				
Past due	190,078	26.0⁽¹⁾	108,295	11.7 ⁽¹⁾
Due within three months	38,385	5.4	179,210	19.4
Due between three months and one year	458,281	63.0	488,547	52.8
Due over one year	40,912	5.6	149,815	16.1
Total	<u>727,656</u>	<u>100.0</u>	<u>925,867</u>	<u>100.0</u>

Note:

- (1) The percentage equals to the default ratio as of the respective dates during the Reporting Period, representing the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans.

Past Due Loans

The principal amount of our past due loans was RMB108.3 million and RMB190.1 million as of 31 December 2023 and 2024, respectively, accounting for 11.7% and 26.0% of the total principal amount of our outstanding loans as of the same dates.

We had 18 past due loans with an aggregate amount of RMB108.3 million as of 31 December 2023. As of 31 December 2024, RMB16.8 million of the principal amount of these past due loans as of 31 December 2023 had been settled. As of 31 December 2024, the remaining portion of the principal amount of past due loans as of 31 December 2023 was RMB91.5 million and the allowance for impairment losses for these loans was RMB22.3 million.

As of 31 December 2024, we had 26 past due loans with an aggregate principal amount of RMB190.1 million, and our allowance for impairment losses for these past due loans as of the same date was RMB53.9 million.

The principal amount of our past due loans increased from RMB108.3 million as of 31 December 2023 to RMB190.1 million as of 31 December 2024, mainly because some of our loans were overdue as a result of the temporary cash flow difficulty of the borrowers. Since most of the past due loans were pledged or guaranteed by collaterals, we expect the loss probability of our past due loans is low.

Loan Portfolio by Exposure Size

The following table sets out the distribution of the principal amount of our outstanding loans and the number of borrowers by exposure size as of the dates indicated:

	As of 31 December					
	2024		2023			
	Number of borrower ⁽¹⁾	RMB'000	% ⁽²⁾	Number of borrower ⁽¹⁾	RMB'000	% ⁽²⁾
Principal amount of outstanding loans:						
Up to RMB1.0 million	104	44,139	6.1	97	42,682	4.6
Over RMB1.0 million to RMB3.0 million (inclusive)	65	114,580	15.7	54	94,900	10.2
Over RMB3.0 million to RMB5.0 million (inclusive)	52	223,644	30.7	72	314,200	34.0
Over RMB5.0 million to RMB10.0 million (inclusive)	4	184,222	25.3	9	237,581	25.7
Over RMB10.0 million	5	161,071	22.2	8	236,504	25.5
Total	230	727,656	100.0	240	925,867	100.0

Notes:

- (1) Loans granted to a single borrower under multiple loan agreements are aggregated for the purpose of the calculation of loan exposure size to such customer.
- (2) Represents the principal amount of outstanding loans of each category divided by the total principal amount of our outstanding loans.

We adopted a loan classification approach to manage our loan portfolio risk. We categorize our loans by reference to the “Five-Tier Principle” set forth in the *Guideline for Loan Credit Risk Classification* (貸款風險分類指引) issued by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會). We make provisions for the anticipated level for loan loss after categorizing the loan according to the “Five-Tier Principle”. According to the “Five-Tier Principle”, our loans are categorized as “normal”, “special-mention”, “substandard”, “doubtful” or “loss” according to their levels of risk. We consider our “substandard”, “doubtful” and “loss” loans as non-performing loans. The following table sets out the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 31 December			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Normal	378,801	52.1	479,513	51.7
Special-mention	321,732	44.2	373,628	40.4
Substandard	3,958	0.5	59,828	6.5
Doubtful	21,949	3.0	11,647	1.3
Loss	<u>1,216</u>	<u>0.2</u>	<u>1,251</u>	<u>0.1</u>
Total	<u>727,656</u>	<u>100.0</u>	<u>925,867</u>	<u>100.0</u>

We assess impairment either collectively or individually as appropriate. We assess our loans for impairment at the end of each relevant period, determine a level of allowance, and recognize any related provisions using the concept of impairment under HKFRS 9. For the loans in stage 1 and stage 2 for measurement of ECL which were the “normal” loans and part of “special-mention” loans, given that they are not impaired, we make collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For remaining loans, the impairment losses are assessed individually by evaluating the loss that we expect to incur on the balance sheet date.

Our “substandard” loans decreased from RMB59.8 million as of 31 December 2023 to RMB4.0 million as of 31 December 2024, while our “doubtful” loans increased from RMB11.6 million as of 31 December 2023 to RMB21.9 million as of 31 December 2024. Such changes mainly because (i) part of the past due loans of the Company categorized as “substandard” in 2023 with aggregate amount of RMB10.3 million were downgraded to “doubtful” taking into account of the borrowers’ repayment ability; and (ii) RMB45.5 million of our “substandard” loans in 2023 were collected.

The following table sets out the key default and loss ratios reflecting the asset quality of our loan business:

	As of/For the year ended 31 December	
	2024	2023
	<i>(RMB'000, except for percentage)</i>	
Non-performing loan ratio⁽¹⁾	3.7%	7.9%
Balance of non-performing loans receivable	27,123	72,726
Balance of gross loans receivable	729,008	928,989
Allowance coverage ratio⁽²⁾	216.9%	92.8%
Allowance for loans losses⁽³⁾	58,823	67,480
Balance of non-performing loans receivable	27,123	72,726
Provision for impairment losses ratio⁽⁴⁾	8.1%	7.3%
Loss ratio⁽⁵⁾	11.7%	18.6%
Net charge of impairment allowance on loans receivable	13,142	26,127
Interest income	112,738	140,166

Notes:

- (1) Represents the balance of non-performing loans receivable divided by the balance of gross loans receivable. Non-performing loan ratio indicates the quality of our loan portfolio.
- (2) Represents the allowance for loans losses for all loans divided by the balance of non-performing loans receivable. The allowance for non-performing loans losses for all loans includes allowances provided for performing loans and allowances provided for non-performing loans. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in our loan portfolio.
- (3) Allowance for loans losses reflects our management's estimate of the probable loss in our loan portfolio.
- (4) Represents the allowance for loans losses divided by the balance of gross loans receivable. Provision for loans losses ratio measures the cumulative level of provisions.
- (5) Represents the net charge of impairment allowance on loans receivable divided by our interest income. Loss ratio is a benchmark which our management uses to monitor our financial results in relation to impairment losses incurred.

Our non-performing loans receivable decreased from RMB72.7 million as of 31 December 2023 to RMB27.1 million as of 31 December 2024 mainly as a result of the recovery of the “substandard” loans of RMB45.5 million. Our non-performing loan ratio decreased from 7.9% as of 31 December 2023 to 3.7% as of 31 December 2024 as a result of the recovery of some of our non-performing loans.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the year ended 31 December 2024:

Key requirements

The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.

The debt to net capital ratio of a microfinance company in Quanzhou City is capped at 100%.

The Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (2020 Second Amendment) (最高人民法院關於審理民間借貸案件適用法律若干問題的規定 (2020第二次修正)) (the “**2020 Judicial Interpretation**”, or “**these Provisions**”) promulgated by the Supreme People's Court (最高人民法院) on 29 December 2020 which became effective on 1 January 2021 provide that: (i) these Provisions shall apply to any first-instance case involving a private lending dispute newly accepted by the people's court after these Provisions came into effect; for a first-instance private lending case newly accepted after 20 August 2020, if the loan contract was formed before 20 August 2020, and either party requests that the interest from the formation of the contract to 19 August 2020 be calculated according to the then judicial interpretations, the people's court shall support the request; and (ii) the interest from 20 August 2020 to the date of payment of the loan shall be calculated according to the interest rate protection standard established by these Provisions at the time of bringing the lawsuit.

A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.

Compliance status

Our Group complied with such requirement for the year ended 31 December 2024.

Our Group complied with such requirement for the year ended 31 December 2024.

Our Group complied with such applicable requirement for the year ended 31 December 2024.

Our Group complied with such requirement for the year ended 31 December 2024.

Key requirements

The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 10% of the net capital of such microfinance company.

Upon the listing of the H shares of the Company on the main board of the Stock Exchange on 30 September 2016, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the “**Amended 70% Requirement**”).

Financial Overview

Interest Income, Net

We generate substantially all of our interest income from interest on loans that we provide to our customers. We incur interest expense on bank loans and margin loans which are principally used to fund our business.

The following table sets out our interest income and interest expense for the years indicated:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on:		
Loans receivable	112,740	140,179
Interest expense on:		
Bank loans and margin loans	(384)	(627)
Lease liabilities	<u>(54)</u>	<u>(173)</u>
Interest income, net	<u>112,302</u>	<u>139,379</u>

Compliance status

Our Group complied with such requirement for the year ended 31 December 2024.

Our Group complied with the Amended 70% Requirement for the year ended 31 December 2024.

Interest Income

Our interest income from short-term financings provided to entrepreneurial individuals, SMEs and microenterprises primarily consists of interest income from our outstanding performing loans. Interest income from outstanding performing loans is mainly affected by (i) the balance of our outstanding performing loans; and (ii) the effective interest rates that we charge on our performing loans.

The following table sets out the average balance of our outstanding performing loans and corresponding average effective interest rate per annum for the years indicated:

	Year ended 31 December	
	2024	2023
Average balance of outstanding performing loans ⁽¹⁾ (RMB'000)	567,014	760,502
Average effective interests rate per annum ⁽²⁾	14.72%	15.90%

Notes:

- (1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the years indicated.
- (2) Calculated by dividing the interest income for the year by the average balance of outstanding performing loans for the years indicated.

Our loan business is primarily funded by our share capital as well as our borrowings. Our interest income decreased by 19.6% from RMB140.2 million for the year ended 31 December 2023 to RMB112.7 million for the year ended 31 December 2024. The average balance of our outstanding performing loans decreased by 25.4% from RMB760.5 million in 2023 to RMB567.0 million in 2024. Such decreases were primarily because of the decrease in our loan size. For the years ended 31 December 2023 and 2024, our average effective interest rate per annum on our performing loans decreased from 15.9% to 14.7%. Such decrease was primarily due to the decrease in the interest rate of new loans we granted during the Reporting Period.

Interest Expense

The following table sets out the average balance of our borrowings and effective interest rates per annum for the years indicated:

	Year ended 31 December	
	2024	2023
Average balance of borrowings ⁽¹⁾ (RMB'000)	8,162	11,278
Effective interests rate per annum ⁽²⁾	4.71%	5.24%

Notes:

- (1) Calculated as the average balance of our borrowings for the years indicated.
- (2) Calculated by dividing the interest expense for the year by the average balance of borrowings for the year.

Our average balance of borrowings decreased from RMB11.3 million as of 31 December 2023 to RMB8.2 million as of 31 December 2024, due to the decreased funding demand.

Net Charge of Impairment Allowance on Loans and Accounts Receivable

Net charge of impairment allowance on loans and accounts receivable mainly arose from the balance of allowance for impairment loss we made in relation to our loans and accounts receivable during the relevant periods.

We review our loan portfolios and finance leases periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any evidence of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to minimize difference between loss estimates and actual loss.

Our net charge of impairment allowance on loans and accounts receivable for the years ended 31 December 2023 and 2024 were RMB26.2 million and RMB13.1 million, respectively. Such decrease was primarily due to (i) the increase in provision of loans as a result of the increase in credit risk of the market; and (ii) the collection of previously impaired loans resulting in the reversal of provisions.

Operating and Administrative Expenses

Our operating and administrative expenses mainly include taxes and surcharges, staff costs, depreciation and amortization expenses, auditor's remuneration and others. The table below sets out the components of our operating and administrative expenses by nature for the years indicated:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Tax and surcharges	844	953
Staff costs:		
Salaries, bonuses and allowances	10,149	11,216
Other social welfare	2,023	2,114
Depreciation and amortization	4,367	3,407
Auditor's remuneration	1,509	1,509
Others	4,124	4,821
Total operating and administrative expenses	<u>23,016</u>	<u>24,020</u>

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fee, accounting for 4.0% and 3.7% of our operating and administrative expenses for the years ended 31 December 2023 and 2024, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 55.5% and 52.9% of our operating and administrative expenses for the years ended 31 December 2023 and 2024, respectively.

Our operating and administrative expenses decreased from RMB24.0 million for the year ended 31 December 2023 to RMB23.0 for the year ended 31 December 2024 mainly because of the decrease in staff costs.

Net Investment Gains

Our net gains on financial instrument consist of dividend and other income, net realized losses, and unrealized gains.

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on disposals of subsidiaries	—	261
Dividend and other income	6,897	7,237
Net realized (losses)/gains	(4,701)	14,924
Unrealized gains/(losses)	<u>52,680</u>	<u>(18,216)</u>
Total	<u><u>54,876</u></u>	<u><u>4,206</u></u>

The net investment gains of financial instruments increased from RMB4.2 million for the year ended 31 December 2023 to RMB54.9 million for the year ended 31 December 2024 mainly due to (i) the fluctuation of the fair value of financial instruments we hold at fair value; (ii) the loss from disposal of financial assets of RMB4.7 million; and (iii) the dividend from listed securities of RMB6.9 million.

Other Income and Gains, Net

Our net other income and gains consist of interest from bank deposits, government grants, and other gains.

The following table sets out the details of our net other income and gains for the years indicated:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	3,641	3,028
Interest from bank deposits	1,034	1,194
Others	1,157	<u>2,096</u>
Total	<u>5,832</u>	<u>6,318</u>

Income Tax Expense

During the years ended 31 December 2023 and 2024, we were subject to the general tax rate of 25% pursuant to the *Enterprise Income Tax Law* (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and 29 December 2018. Our income tax expense for the years ended 31 December 2023 and 2024 was RMB23.4 million and RMB29.8 million, respectively, and our effective tax rate for the same years was 23.5% and 23.6%.

The Directors confirmed that we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the competent tax authorities in the PRC.

Net Profit and Total Comprehensive Income for the Year

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB76.2 million and RMB96.3 million for the years ended 31 December 2023 and 2024, respectively. The profit attributable to owners of the parent company for the year ended 31 December 2023 and 2024 was RMB64.8 million and RMB91.7 million.

Liquidity and Capital Resources

We have in the past funded our working capital and other capital requirements primarily by equity contributions from our shareholders and cash flows from operations. Our liquidity and capital requirements primarily relate to granting loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Our gearing ratio which represented the percentage of our net debt divided by the aggregate of our capital and net debt, increased from -9.6% as of 31 December 2023 to -9.2% as of 31 December 2024, mainly because of the decrease in cash and cash equivalents.

Cash Flows

The following table sets out a selected summary of our cash flows statement for the years indicated:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	200,200	67,607
Net cash flows used in investing activities	(53,704)	(9,355)
Net cash flows used in financing activities	(154,923)	(77,845)
Net decrease in cash and cash equivalents	(8,427)	(19,593)
Cash and cash equivalents at the beginning of year	<u>111,485</u>	<u>131,078</u>
Effect of foreign exchange rate changes, net	<u>(58)</u>	<u>—</u>
Cash and cash equivalents at the end of year	<u><u>103,000</u></u>	<u><u>111,485</u></u>

Net cash flows from operating activities

Our business involves a substantial amount of operating cash turnover as well as ongoing funding in the ordinary course of business undertaking, given the capital-intensive nature of short-term microfinance business.

Our cash generated from operating activities primarily consists of loans repaid by our customers and interest income from loans that we grant to customers. Our cash used in operating activities primarily consists of that we extend to our customers. Net cash flows from operating activities reflect: (i) our profit before tax adjusted for non-cash and non-operating items, such as unrealized losses, charge on impairment, accreted interest on impairment loans, foreign exchange loss, gain on disposal of property and equipment, as well as depreciation and amortization; (ii) the effects of changes in working capital; and (iii) income tax paid.

Net cash flows from operating activities for the year ended 31 December 2024 was RMB200.2 million. Net cash flows generated from operating activities before working capital adjustment was RMB71.3 million. Cash inflows primarily consisted of: (i) the decrease in financial assets at fair value through profit or loss of RMB21.2 million ;and (ii) the decrease in loans and accounts receivable of RMB207.5 million; Cash outflows primarily consisted of: (i) the increase in securities purchased under agreements to re-sell of RMB60.1 million; (ii) the increase in other assets of RMB11.8 million; and (iii) the decrease in other payables of RMB0.3 million.

Net cash flows used in investing activities

For the year ended 31 December 2024, our net cash flows used in investing activities was RMB53.7 million, which was mainly consisted of the payment under restructuring investment agreement.

Net cash flows used in financing activities

For the year ended 31 December 2024, our net cash flows used in financing activities was RMB154.9 million, which is mainly consisted of: (i) the payment of dividend of RMB34.0 million; (ii) the dividend paid to non-controlling shareholders of JJHX and Huizhixin of RMB8.2 million; (iii) the payment of acquisition of non-controlling interest of JJHX and Huizhixin of RMB101.5 million; (iv) net repayment of borrowings of RMB8.9 million; (v) the payment of interests on interest-bearing borrowing of RMB1.3 million; and (vi) the lease payments of RMB1.0 million.

Cash management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2023 and 2024, the total cash and cash equivalents amounted to RMB111.5 million and RMB103.0 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected Items of the Statements of Financial Position

	As of 31 December	
	2024	2023
	RMB'000	RMB'000
Assets		
Cash and cash equivalents	103,000	111,485
Securities purchased under agreements to re-sell	60,098	—
Financial assets at fair value through profit or loss	280,304	249,673
Loans and accounts receivable	670,185	861,549
Property and equipment	8,659	8,055
Investment properties	62,743	—
Right-of-use assets ⁽¹⁾	892	1,829
Goodwill	5,579	14,729
Other Intangible assets	101	106
Deferred tax assets	24,273	32,591
Other assets	23,275	22,861
	<u>1,239,109</u>	<u>1,302,878</u>
Total assets		
Liabilities		
Interest-bearing borrowings	—	9,895
Financial liabilities at fair value through profit or loss	—	842
Lease liabilities	952	1,743
Income tax payable	3,104	11,549
Deferred tax liabilities	3,890	—
Other payables	9,984	10,327
	<u>17,930</u>	<u>34,356</u>
Total liabilities		
Net assets	<u>1,221,179</u>	<u>1,268,522</u>

Note:

(1) The right-of-use assets mainly consist of the leases of properties.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2023 and 2024, we had cash and cash equivalents of RMB111.5 million and RMB103.0 million, respectively. Such decrease in our cash and cash equivalents was primarily due to the repayment of margin loans.

Loans and Accounts Receivable

Our loans and accounts receivable consist of net lease receivables and loans receivable. We consider a financial asset in default when it is overdue for more than 90 days.

The following table sets out our loans and accounts receivable and allowance for impairment losses as of the dates indicated:

	As of 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net lease receivables	193	237
Loans receivable	<u>729,008</u>	<u>928,989</u>
Total loans and accounts receivable	<u>729,201</u>	<u>929,226</u>
Less: Allowance for impairment losses	<u>(59,016)</u>	<u>(67,677)</u>
Net loans and accounts receivable	<u><u>670,185</u></u>	<u><u>861,549</u></u>

Our net loans receivable decreased from RMB861.6 million as of 31 December 2023 to RMB670.2 million as of 31 December 2024 because banks have expanded their loan market share due to the easing credit policies.

As of 31 December 2024, our maturity profiles within one year and over one year accounted for 94.4% and 5.6% of the total loans, respectively. The following table sets out a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Past due	190,109	26.1	108,295	11.7
Due within three months	38,988	5.3	181,632	19.6
Due between three months and six months	164,605	22.6	190,890	20.5
Due between six months and one year	294,339	40.4	298,357	32.1
Due over one year	40,967	5.6	149,815	16.1
Total	<u>729,008</u>	<u>100.0</u>	<u>928,989</u>	<u>100.0</u>

The majority of our loans during the years ended 31 December 2023 and 2024 were guaranteed loans and collateral-backed loans, which accounted for 15.7% and 84.1% of our loans receivables as of 31 December 2023 and 5.0% and 92.9% of our loans receivables as of 31 December 2024, respectively. The following table sets out the balance of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Credit loans	15,000	2.1	1,403	0.2
Guaranteed loans	36,529	5.0	145,147	15.7
Collateral-backed loans				
— with guarantee	378,709	51.9	384,309	41.4
— without guarantee	298,770	41.0	398,130	42.7
Total	<u>729,008</u>	<u>100.0</u>	<u>928,989</u>	<u>100.0</u>

Financial Assets at Fair Value through Profit or Loss

For the year ended 31 December 2024, our financial assets at fair value through profit or loss primarily consisted of wealth management products, structured deposits, listed securities, unlisted equity investments and private equity funds.

We invest in wealth management products, structured deposits, listed securities, unlisted equity investments and private equity funds with our laid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such financial assets, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our securities investment team conducts risk control and supervision over our investments to effectively manage the investment procedures. As of 31 December 2024, the balance of our wealth management products, structured deposits, listed securities, unlisted equity investments and private equity funds were RMB30.3 million, RMB21.0 million, RMB177.6 million and RMB51.4 million, respectively.

Goodwill

Our goodwill decreased from RMB14.7 million as of 31 December 2023 to RMB5.6 million as of 31 December 2024 mainly because we assessed the impairment on goodwill and the recoverable amount is less than the carrying amount, the related difference of RMB9.1 million is recognised in the current profit or loss. Further details of goodwill are disclosed in note 21 to the consolidated financial statements.

Other Intangible Assets

Other intangible assets remained at RMB0.1 million as of 31 December 2023 and 2024.

Deferred Tax Assets

The deferred tax assets decreased from RMB32.6 million as of 31 December 2023 to RMB24.3 million as of 31 December 2024, mainly due to the adjustments of the impairment on loans and fair value of financial assets at fair value through profit or loss.

Other Assets

Our other assets increased from RMB22.9 million as 31 December 2023 to RMB23.3 million as of 31 December 2024 mainly due to the increase in prepaid corporate income tax. The following table sets out a breakdown of our other assets as of the dates indicated:

	As of 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Repossessed assets	8,060	8,060
Prepayments and deposit	11,940	13,000
Other receivables	1,330	1,609
Other	1,946	192
Total other assets	<u>23,276</u>	<u>22,861</u>

Income Tax Payable

Our income tax payable, which represents our current income tax liabilities, was RMB11.5 million and RMB3.1 million, respectively, as of 31 December 2023 and 2024.

Other Payables

Our other payables mainly include payrolls payable, value-added tax and surcharges payable, deposits, securities settlement payable and others. As of 31 December 2023 and 2024, our other payables were RMB10.3 million and RMB10.0 million, respectively. Such decrease was primarily due to the decrease in payrolls payable of RMB1.0 million.

Lease Liabilities

Our lease liabilities decreased from RMB1.7 million as of 31 December 2023 to RMB1.0 million as of 31 December 2024 mainly because of the lease payment of RMB1.0 million.

Contingent Liabilities

We had no significant contingent liabilities as of 31 December 2024.

Capital Expenditures

Our capital expenditures consist primarily of (i) the purchase of intangible assets; (ii) the purchase of fixtures and office furniture and equipment; and (iii) the acquisition of the assets of Sichuan Xianpai. The following table sets out our capital expenditures for the years indicated:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Capital expenditures		
— Micro-credit business	<u>65,637</u>	<u>155</u>
Total	<u>65,637</u>	<u>155</u>

Related Party Transactions

None of the related party transactions set out in note 29 to the consolidated financial statements constitutes connected transactions or continuing connected transactions which are subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

Commitment and Contractual Obligations

We did not have any capital commitment during the Reporting Period.

Key Financial Ratios

The table below sets out our key financial ratios as of the dates indicated:

	As of/For the year ended	
	31 December	
	2024	2023
Return on equity ⁽¹⁾	7.5%	5.6%
Return on assets ⁽²⁾	7.8%	5.8%
Gross loans to total assets ⁽³⁾	58.8%	71.3%
Gearing ratio ⁽⁴⁾	-9.2%	-9.6%

Notes:

- (1) Return on equity is calculated by dividing net profit attributable to owners of the parent for the year by the balance of equity attributable to owners of the parent as of the indicated dates multiplied by 100%.
- (2) Return on assets is calculated by dividing net profit for the year by the balance of total assets as of the indicated dates multiplied by 100%.
- (3) Gross loans to total assets ratio equals the gross loans receivable amount as of the indicated dates divided by the total assets as of the same date and multiplied by 100%. Gross loans receivable represents our total loans receivable before the deduction of allowance for impairment.
- (4) Gearing ratio equals net debt as of the indicated date divided by the aggregate of our capital and net debt as of the same date multiplied by 100%.

Our return on equity reflecting our financial performance increased from 5.6% for the year ended 31 December 2023 to 7.5% for the year ended 31 December 2024 primarily due to the increase of the net gains on financial assets. Our return on assets reflecting our profitability increase from 5.8% for the year ended 31 December 2023 to 7.8% for the year ended 31 December 2024 primarily due to the increase of net gains on financial assets. Our gross loans to total assets reflecting our high capital utilization ratio remained at a high level with a decrease from 71.3% as of 31 December 2023 to 58.8% as of 31 December 2024 primarily due to the decrease in gross loans. Our gearing ratio reflecting our financial leverage increase from -9.6% as of 31 December 2023 to -9.2% as of 31 December 2024, mainly due to the decrease in cash and cash equivalents.

Off-balance Sheet Arrangements

As of 31 December 2024, we did not have any off-balance sheet arrangements.

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from Mainland China for the year ended 31 December 2024.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

As disclosed in the discloseable transactions and connected transactions announcement of the Company dated 25 June 2024 (the “**Announcement**”), on 25 June 2024, the Company and its non wholly-owned subsidiary respectively entered into the sale and purchase agreement with Xiamen Panhong Trading Co., Ltd.* (廈門磐鴻貿易有限公司) in respect of the proposed acquisitions of an aggregate of 23.0% of the entire equity interests of JJHX, a non wholly-owned subsidiary of the Company, for an aggregate consideration of RMB82.96 million. Upon completion of such proposed acquisitions, JJHX will continue to be a non wholly-owned subsidiary of the Company, and will continue to be accounted for and consolidated into the Group’s consolidated financial statements. As at the date hereof, the transaction was completed. For more details, please refer to the Announcement.

Save as disclosed above, there were no material investments (including any investment with a value of 5% or more of the Company’s total assets), acquisitions or disposals for the year ended 31 December 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than bank loans we obtained from commercial banks, we also consider issuing bonds or conducting income rights transfer and repurchase financing or other investments plans or choices. Nevertheless, as of the date of this announcement, we do not have any firm intention or formulated any specific plan on material external financing in the short term.

Save as disclosed above, our Group had no future plans for material investments or external financing as of 31 December 2024.

CHARGE ON OUR GROUP’S ASSETS

As of 31 December 2024, we did not have any charges on our assets.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2024, our Group had 51 employees, all of whom were based in the PRC. Our employees’ remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As of 31 December 2024, our Group was not involved in any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Listing Rules.

PROSPECTS

Looking ahead to 2025, the global economy is projected to sustain steady growth, albeit at a slightly slower pace than historical averages. Developed economies such as the United States and Europe, are expected to experience a modest slowdown, while emerging economies such as China and India are expected to maintain robust growth momentum. Trade barriers and technological restrictions may increase, potentially affecting global trade and investment flows. Nevertheless, as the global economy recovers, trade demand is expected to pick up, leading to a moderate expansion in global trade volumes. Global inflationary pressures are expected to ease gradually, with major economies potentially entering a cycle of interest rate cuts, which could provide support for economic growth. However, risks such as geopolitical tensions and energy price volatility may continue to influence inflation dynamics. In 2025, China's economy is expected to maintain a stable and progressive trajectory, although the growth rate may slow down somewhat. Despite the increasing positive factors in the domestic economic landscape, insufficient domestic demand remains the most significant constraint. Given the above, the government will continue to intensify macroeconomic regulation, deepen reforms and opening-up, expand domestic demand, and optimize the economic structure to drive high-quality economic development.

Against the background of complex and ever-changing domestic and international economic landscape in 2025, the Company will keep following regulatory policies closely and ensure compliant operations. It will innovate financial products to meet diverse needs, expand customer channels to enhance brand influence, improve service efficiency to optimize customer experience, and strengthen team building to elevate professional capabilities. The Company is committed to increasing shareholder returns and contributing to society development.

CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance and protecting the interests of its shareholders in an open manner. The Board and the management of the Company has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code set out in Appendix C1 to the Listing Rules and reviewed its corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

UPDATES ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in information of the Directors and supervisors of the Company since the Company's last published interim report up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct for carrying out securities transactions of the Company by the Directors and supervisors of the Company. After specific enquiry with all Directors and supervisors, they have confirmed fully compliance with the relevant requirements stipulated in the Model Code during the Reporting Period.

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

Our Group has not purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares) for the year ended 31 December 2024.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2024 to shareholders whose names appear on the Company’s register of members on Thursday, 26 June 2025 (the “**Proposed Final Dividend**”). Subject to the approval of the shareholders at the Company’s forthcoming annual general meeting to be held on Thursday, 12 June 2025 (the “**AGM**”), the Proposed Final Dividend is expected to be paid on or around Friday, 15 August 2025.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholder’s entitlement to attend and vote at the AGM, the H share register of members of the Company will be closed from Tuesday, 13 May 2025 to Thursday, 12 June 2025, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of H shares of the Company shall lodge all share transfer documents accompanied by the relevant share certificates with the Company’s H share registrar in Hong Kong (the “**H Share Registrar**”), Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, or to the Company’s headquarters in the PRC, at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou City, Fujian Province, the PRC (for holders of domestic shares), for registration no later than 4:30 p.m. on Monday, 12 May 2025.

For the purpose of determining the entitlement to the Proposed Final Dividend, the H share register of members of the Company will be closed from Friday, 20 June 2025 to Thursday, 26 June 2025, both days inclusive, during which period no share transfers of H shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of H shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with H Share Registrar, Boardroom Share Registrars (HK) Limited, or to the Company’s headquarters in the PRC, at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou City, Fujian Province, the PRC (for holders of domestic shares), for registration no later than 4:30 p.m. on Thursday, 19 June 2025.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the note 36 to the consolidated financial statements, no event needs to be disclosed after the Reporting Period.

AGM

The AGM will be held at 35/F, Huijin International Center, No. 105 Feng Ze Street, Feng Ze District, Quanzhou City, Fujian province, the PRC on Thursday, 12 June 2025. Notice of the AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by our Group, auditing, internal controls and financial report matters, and our Group's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with management and the Company's auditor, Ernst & Young, the audited financial statements for the year ended 31 December 2025.

This Annual Results announcement is based on our Group's audited consolidated financial statements for the year ended 31 December 2024 which has been agreed with the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Annual Results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qzhuixin.net). The annual report for the year ended 31 December 2024 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to shareholders (if requested) and available on the same websites in due course.

CHANGE OF MEMBER OF NOMINATION COMMITTEE

The Board also hereby announces the following changes in the composition of the nomination committee of the Company (the “**Nomination Committee**”) with effect from 12 June 2025:

- Mr. Zhou Yongwei (周永偉), executive Director, ceased to be a member of the Nomination Committee; and
- Ms. Liu Aiqin (劉愛琴), executive Director, was appointed as a member of the Nomination Committee.

PROPOSED CHANGE OF REGISTERED ADDRESS AND AMENDMENTS TO ARTICLES OF ASSOCIATION

Proposed Change of Registered Address

On 26 March 2025, the Board approved the change of registered address of the Company in the PRC from “12/F, Former Finance Building, No. 361 Feng Ze Street Quanzhou City, Fujian Province, the PRC” to “No. 785-24 Xinmen Street, Licheng District, Quanzhou City, Fujian Province, the PRC” (the “**Proposed Change of Registered Address**”).

Proposed Amendments to Articles of Association

Due to the Proposed Change of Registered Address, the Board also proposed the following amendments to Article 3 of the articles of association of the Company (the “**Proposed Amendments of Articles of Association**”):

The Article 3, which originally reads as:

“The registered address of the Company: 12/F, Former Finances Building No. 361 Feng Ze Street Quanzhou City, Fujian Province, the PRC.

Zip: 362000

Telephone: (86) 0595-22731777

Fax: (86) 0595-22796877”

is proposed to be amended as:

“The registered address of the Company: No. 785-24 Xinmen Street, Licheng District, Quanzhou City, Fujian Province, the PRC.

Zip: 362000

Telephone: (86) 0595-22731777

Fax: (86) 0595-22796877”

The Proposed Amendments of Articles of Association is subject to the approval of the shareholders of the Company by way of a special resolution at the AGM and all necessary filing procedures having been obtained from the relevant authorities in the PRC.

By Order of the Board
Quanzhou Huixin Micro-credit Co., Ltd.*
WU Zhirui
Chairman

Hong Kong, 26 March 2025

As at the date of this announcement, the executive Directors are Mr. WU Zhirui, Mr. ZHOU Yongwei, Mr. YAN Zhijiang and Ms. LIU Aiqin; the non-executive Directors are Mr. JIANG Haiying and Mr. CAI Rongjun; and the independent non-executive Directors are Mr. ZHENG Wenjian, Mr. YANG Dong John and Mr. YANG Zhanghua.

* For identification purpose only