



佐力科創小額貸款股份有限公司 Zuoli Kechuang Micro-finance Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock code: 6866

2025 INTERIM REPORT



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DEFINITIONS

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

“Acting in Concert Agreement”	an agreement entered into by Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy dated 28 April 2014
“AFR (三農)”	customers engaged in agricultural business and/or rural development activities, and/or customers residing in rural areas
“Bangni Fiber”	浙江邦尼耐火纖維有限公司 (Zhejiang Bangni Refractory Fiber Co., Ltd.*)
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Company”, “we”, “us” or “our”	佐力科創小額貸款股份有限公司 (Zuoli Kechuang Micro-finance Company Limited*), a joint stock company incorporated in the PRC with limited liability on 18 August 2011 and converted from our Predecessor Company on 28 April 2014, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 6866)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deqing Yintian”	德清銀天股權投資管理有限公司 (Deqing Yintian Equity Investment and Management Company Limited*)
“Dingsheng Investment”	德清鼎盛股權投資管理有限公司 (Deqing Dingsheng Equity Investment and Management Company Limited*)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB by PRC nationals and/or PRC-established entities
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Hong Kong Stock Exchange
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jinhui Micro-finance”	德清金匯小額貸款有限公司 (Deqing Jinhui Micro-finance Company Limited*), a non-wholly owned subsidiary of the Company

“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, otherwise references in this interim report to “China” and the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Predecessor Company” or “our Predecessor Company”	德清佐力科創小額貸款有限公司 (Deqing Zuoli Kechuang Micro-finance Company Limited*), a limited liability company established in the PRC on 18 August 2011 and the predecessor of the Company
“Puhua Energy”	德清普華能源股份有限公司 (Deqing Puhua Energy Company Limited*)
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	shareholder(s) of the Company
“SME(s)”	small and medium-sized enterprise(s), as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知)
“Supervisor(s)”	the supervisor(s) of the Company
“VAT”	value-added tax
“Xingyao Micro-finance”	杭州市高新區(濱江)興耀普匯小額貸款有限公司 (Hangzhou High-tech District (Binjiang) Xingyao Pu Hui Micro-finance Co. Ltd.*), a non-wholly owned subsidiary of the Company
“Zuoli Holdings”	佐力控股集團有限公司 (Zuoli Holdings Group Company Limited*)

* For identification purpose only

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Pan Zhongmin (formerly known as Pan Zhongming)

Independent non-executive Directors

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

SUPERVISORS

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

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

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

ESG SUSTAINABLE DEVELOPMENT COMMITTEE

Mr. Yang Sheng (*Chairman*)
Mr. Chan Kin Man
Ms. Hu Fangfang

LOAN APPROVAL COMMITTEE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.zlkxcd.cn

STOCK CODE

6866

AUDITOR

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

LEGAL ADVISERS

ONC Lawyers (*as to Hong Kong laws*)
Dacheng Law Offices (Dacheng Shanghai) (*as to PRC laws*)

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

Shanghai Pudong Development Bank Co., Ltd.
(Huzhou Deqing Sub-branch)
Nos. 720 to 728 Wuyuan Street
Wukang Road, Deqing County
Huzhou City, Zhejiang Province
PRC

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

We carried out our microfinance business in the PRC, and our business is mainly conducted in Deqing County, Huzhou City and Binjiang District, Hangzhou City, the Zhejiang Province, where the main market share comes from Deqing County. Zhejiang province is the important birthplace of President Xi Jinping's thought on ecological civilisation, and according to the Opinion on Supporting the High Quality Development and the Construction of a Common Prosperity Demonstration Zone in Zhejiang (《關於支持浙江高質量發展建設共同富裕示範區的意見》) issued by the State Council in May 2021, Zhejiang Province was endowed an important demonstration reform task of realizing common prosperity and a series of important decisions and deployment were proposed, which will be more favorable for the overall coordinated development of Zhejiang Province in terms of economy, society, culture, ecology, etc. Besides, Huzhou is the birthplace of the important thought that "lucid waters and lush mountains are invaluable assets" and the experimental area of the national green finance reform and innovation, and is one of the best cities in Zhejiang Province and even nationwide in respect of financial ecological environment, which brings the Company a unique advantage to explore green development. We seized the opportunity and became the first and the only green micro-finance company in Huzhou. Recently, the State Council granted approval to Huzhou City to construct a national sustainable development innovation zone under the theme of sustainable development in ecological resource-intensive areas driven by green innovation. In May 2022, the United Nations Global Geospatial Knowledge and Innovation Centre was inaugurated in Deqing. A number of new high-technology, bio-pharmaceutical and innovative enterprises have either selected Deqing as their headquarters or conducted business in Deqing. In 2024, Deqing was ranked on several lists of the top 100 counties or cities in the PRC in terms of comprehensive strength, green development, science and technology innovation, and quality of China's new urbanization, which has promoted the development of the local financial services industry.

As of 30 June 2025, the number of microfinance companies in Zhejiang reached 245 in total. The average registered capital per microfinance company amounted to RMB0.17 billion. The average loan balance per microfinance company amounted to RMB0.18 billion.

As of 30 June 2025, apart from the Group, there were two other microfinance companies in Deqing. The accumulated aggregate amount of loans granted by the Group and the two microfinance companies for the six months ended 30 June 2025 reached RMB1.39 billion, out of which the accumulated aggregate amount of loans granted by the Group accounted for approximately 82.7%. As of 30 June 2025, the balance of loans (excluding accrued interest) of the Group and these two microfinance companies reached RMB2.96 billion, out of which the balance of loans (excluding accrued interest) of the Group accounted for approximately 86.8%.

BUSINESS OVERVIEW

As at 30 June 2025, we were the largest licensed microfinance company in Zhejiang in terms of registered capital, according to the Local Financial Regulatory Bureau of Zhejiang* (浙江省地方金融監督管理局). We have been providing financing solutions and loan services to customers with flexible terms through quick and comprehensive loan assessment and approval processes.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Our gross loan balance (excluding accrued interest) decreased from RMB2,640.5 million as at 31 December 2024 to RMB2,571.6 million as at 30 June 2025.

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

	As at 30 June 2025	As at 31 December 2024
Registered capital (RMB'000)	1,180,000	1,180,000
Gross loans and advances to customers (excluding accrued interest, RMB'000)	2,571,559	2,640,534
Leverage ratio ⁽¹⁾	2.18	2.24

Note:

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

For the six months ended 30 June 2024 and 30 June 2025, our average interest rates for loans were 7.6% and 6.8%, respectively. Our average loan interest rate decreased during the aforesaid period, mainly because we reduced the average interest rate on loans in line with the market, where interest rates on loans granted by banks and peers continued to drop, in order to ensure asset quality.

As at 31 December 2024 and 30 June 2025, approximately 77.3% and 75.0% of loan contracts were limited to RMB1 million, respectively. Among our loan contracts, the higher proportion of loans with amount up to RMB1 million was mainly due to the fact that we mainly target to serve SMEs and micro enterprises, individuals in the agricultural, industrial and service sectors in Huzhou City and Hangzhou City and online retailers engaging in the business of lifestyle products, agricultural products, cultural supplies and industrial products, etc., the loan amounts granted to whom are generally lower.

Loans and Advances to Customers by Type of Security

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

	As at 30 June 2025		As at 31 December 2024	
	RMB'000	%	RMB'000	%
Unsecured loans ⁽¹⁾	25,368	1.0	27,870	1.1
Guaranteed loans	2,521,356	98.0	2,586,792	97.9
Collateralized loans	3,100	0.1	3,379	0.1
Pledged loans	21,735	0.9	22,493	0.9
Sub-total	2,571,559	100.0	2,640,534	100.0
Accrued interest	20,892		15,734	
Gross loans and advances to customers	2,592,451		2,656,268	

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 30 June 2025			
	12-month ECLs RMB'000	Lifetime ECLs non credit-impaired RMB'000	Lifetime ECLs credit-impaired RMB'000	Total RMB'000
Gross loans and advances to customers	2,085,503	407,601	99,347	2,592,451
Less: Allowances for impairment losses	(65,463)	(35,260)	(89,357)	(190,080)
Net loans and advances to customers	2,020,040	372,341	9,990	2,402,371

	As at 31 December 2024			
	12-month ECLs RMB'000	Lifetime ECLs non credit-impaired RMB'000	Lifetime ECLs credit-impaired RMB'000	Total RMB'000
Gross loans and advances to customers	2,167,309	384,215	104,744	2,656,268
Less: Allowances for impairment losses	(62,817)	(37,021)	(94,376)	(194,214)
Net loans and advances to customers	2,104,492	347,194	10,368	2,462,054

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

	As at 30 June 2025	As at 31 December 2024
Impaired loan ratio⁽¹⁾	3.8%	3.9%
Balance of impaired loans (RMB'000)	99,347	104,744
Gross loans and advances to customers (RMB'000)	2,592,451	2,656,268
Allowance coverage ratio⁽²⁾	191%	185%
Allowances for impairment losses ⁽³⁾ (RMB'000)	190,080	194,214
Balance of impaired loans (RMB'000)	99,347	104,744
Provision for impairment losses ratio⁽⁴⁾	7.3%	7.3%
Balance of overdue loans (RMB'000)	99,590	104,956
Gross loans and advances to customers (RMB'000)	2,592,451	2,656,268
Overdue loan ratio⁽⁵⁾	3.8%	4.0%

Notes:

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

- (2) Represents the allowances for impairment losses on all loans divided by the balance of impaired loans. Allowance coverage ratio indicates the level of provisions we set aside to cover probable loss in our loan portfolio.
- (3) Allowances for impairment losses reflect our management's estimate of the probable losses in our loan portfolio.
- (4) Represents the allowances for impairment losses divided by the gross loans and advances to customers. Provision for impairment losses ratio measures the cumulative level of provisions.
- (5) Represents the balance of overdue loans divided by the gross loans and advances to customers, among which the balance of loans overdue for 1 to 30 days was RMB376 thousand, the balance of loans overdue for 31 to 365 days was RMB30,551 thousand, and the balance of loans overdue for more than 365 days was RMB68,663 thousand.

Total impaired loans

As at 31 December 2024 and 30 June 2025, our balance of impaired loans amounted to RMB104.7million and RMB99.3 million, respectively.

Total overdue loans

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

	As at 30 June 2025 RMB'000	As at 31 December 2024 RMB'000
Unsecured loans	21,156	15,135
Guaranteed loans	67,970	87,042
Collateralized loans	2,500	2,779
Pledged loans	7,964	—
Total overdue loans	99,590	104,956

We had overdue loans of RMB105.0 million and RMB99.6 million as at 31 December 2024 and 30 June 2025, respectively, accounting for 4.0% and 3.8% of our gross loan balance as at the respective dates. As at 15 August 2025, RMB2.5 million out of the overdue loans as of 30 June 2025 was recovered.

FINANCIAL OVERVIEW

Net interest income

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Interest income from		
Loans and advances to customers	90,211	102,550
Cash at banks	21	66
Total interest income	90,232	102,616
Interest and commission expenses from		
Borrowings from banks	(506)	(502)
Borrowings from non-bank institutions	(15,822)	(20,556)
Lease liabilities	(46)	(85)
Bank charges	(39)	(42)
Total interest and commission expenses	(16,413)	(21,185)
Net interest income	73,819	81,431

Our interest income from loans and advances to customers is primarily affected by the size of our loan portfolio and the average interest rates that we charge on loans to our customers. Our balance of loans decreased during the reporting period, generally in line with the size of our capital base, which is in turn affected by the size of our net assets and financing. For the six months ended 30 June 2024 and 30 June 2025, our average interest rates for loans were 7.6% and 6.8%, respectively. Our average loan interest rate decreased during the aforesaid period, mainly because we reduced the average interest rate on loans in line with the market, where interest rates on loans granted by banks and peers continued to drop, in order to ensure asset quality.

Our interest and commission expenses, comprising interests on borrowings from banks and non-bank institutions, lease liabilities as well as bank charges, were RMB21.2 million and RMB16.4 million for the six months ended 30 June 2024 and 30 June 2025, respectively. Our incurred interest expenses were primarily attributable to the interest payment on bank borrowings and non-bank institutions borrowings, including borrowings from third parties and borrowings from Euro zone, which were principally applied to develop our loan business.

Our balance of bank borrowings (excluding accrued interest) as at 30 June 2024 and 30 June 2025 each amounted to RMB25.0 million. Our balance of borrowings from non-bank institutions (excluding accrued interest) amounted to RMB490.0 million and RMB381.8 million as at 30 June 2024 and 30 June 2025, respectively.

Our net interest income for the six months ended 30 June 2024 and 30 June 2025 were RMB81.4 million and RMB73.8 million, respectively.

Other net (loss)/income

Our other net income/(loss) for the six months ended 30 June 2024 and 30 June 2025 were RMB17.4 million and RMB11.5 million, respectively. Our other net income decreased during the aforesaid period, mainly due to the decrease in government subsidy received in the current period of RMB13.3 million as compared with the corresponding period last year and the decrease in exchange gains of RMB15.6 million in the current period as compared with the corresponding period last year.

Impairment losses

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

For the six months ended 30 June 2024 and 30 June 2025, our impairment losses were a provision of RMB12.5 million and a reversal of RMB4.6 million, respectively.

Administrative expenses

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

	For the six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Tax and surcharge	686	828
Staff costs	6,848	7,757
Office expenditures and travel expenses	2,855	1,786
Operating lease charges	3	10
Depreciation and amortization expenses	2,373	2,389
Consulting and professional service fees	3,982	4,586
Business development expenses	2,985	3,394
Advertising expenses	542	495
Others	666	557
Total administrative expenses	20,940	21,802

Our staff costs accounted for approximately 35.6% and 32.7% of the total administrative expenses for the six months ended 30 June 2024 and 30 June 2025, respectively. Our administrative expenses decreased from RMB21.8 million for the six months ended 30 June 2024 to RMB20.9 million for the six months ended 30 June 2025, which was mainly due to the decreases in staff costs, consulting and professional service fees and business development expenses for the period as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income taxes

Our income taxes for the six months ended 30 June 2024 and 30 June 2025 were RMB17.9 million and RMB12.4 million, respectively, and our effective tax rates were 27.7% and 27.1%, respectively.

Profit and total comprehensive income for the period

We had profit and total comprehensive income for the period of RMB46.6 million and RMB33.5 million for the six months ended 30 June 2024 and 30 June 2025, respectively.

Liquidity and capital resources

Our working capital and other capital requirements are mainly financed by equity investments from the shareholders of the Company (the “Shareholders”), interest-bearing borrowings and cash flows from operations. Our working capital and capital requirements are primarily related to extending loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity level that can meet our working capital needs while supporting a healthy level of business scale and development. Other than the bank borrowings obtained from commercial banks, we may also consider offshore financing or other investments plans or choices. Nevertheless, as at the date of this report, we did not have firm intention or formulate any specific plan on material external debt financing in the short term.

As at 30 June 2025, our balance of interest-bearing borrowings was approximately RMB412.6 million (31 December 2024: RMB488.3 million).

WORKING CAPITAL MANAGEMENT

Cash flows

Net cash generated from operating activities

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

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

Our net cash generated from operating activities for the six months ended 30 June 2025 was RMB106.0 million. Our net cash generated from operating activities reflect: (i) our profit before tax of RMB46.0 million, adjusted for non-cash and non-operating items, primarily including a reversal of impairment losses of RMB4.6 million, depreciation and amortization of RMB2.6 million, interest expenses of RMB16.4 million, exchange losses of RMB11.6 million; (ii) the effect of changes in working capital, primarily including the decrease in gross loans and advances to customers of RMB64.7 million, the increase in interest receivables and other assets of RMB0.5 million, and the decrease in accruals and other payables of RMB4.7 million; and (iii) income tax paid of RMB25.5 million.

Net cash used in financing activities

For the six months ended 30 June 2025, our net cash used in financing activities was RMB106.2 million. Our net cash used in financing activities mainly consisted of (i) repayment of interest-bearing borrowings of RMB187.2 million, partially offset by the interest-bearing borrowings received amounted to RMB97.4 million; (ii) the payment of interest on borrowings amounted to RMB15.6 million; and (iii) the payment of lease charge amounted to RMB0.8 million.

Cash management

As our business primarily relies on our available cash, we normally set aside a sufficient amount of cash for meeting general working capital needs, such as administrative expenses and payment of interests on borrowings from banks and other non-bank institutions, and use the remaining parts for granting loans to our customers. As at 31 December 2024 and 30 June 2025, total cash and cash equivalents amounted to RMB10.5 million and RMB10.3 million, respectively.

Cash and cash equivalents

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Cash in hand	2	2
Cash at banks	10,164	10,372
Other currencies in cash	118	141
Cash and cash equivalents	10,284	10,515

Loans and advances to customers

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Corporate loans	1,138,250	1,219,180
Retail loans	1,410,309	1,395,888
Micro-loans granted online	23,000	25,466
Sub-total	2,571,559	2,640,534
Accrued interest	20,892	15,734
Gross loans and advances to customers	2,592,451	2,656,268
Allowances for impairment losses	(190,080)	(194,214)
Net loans and advances to customers	2,402,371	2,462,054

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2024 and 30 June 2025, our overdue loans amounted to RMB105.0 million and RMB99.6 million, respectively, accounting for 4.0% and 3.8% of our gross loans and advances to customers as at the same dates, respectively.

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Unsecured loans ⁽¹⁾	25,368	27,870
Guaranteed loans	2,521,356	2,586,792
Collateralized loans	3,100	3,379
Pledged loans	21,735	22,493
Sub-total	2,571,559	2,640,534
Accrued interest	20,892	15,734
Gross loans and advances to customers	2,592,451	2,656,268

Note:

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

The majority of our loans were guaranteed loans, which accounted for approximately 98.0% of our gross loans and advances to customers (excluding accrued interest) as at 31 December 2024 and 30 June 2025. The type of collateral for the collateralized loans provided by us to our customers is mainly real estate, which mainly represents properties. The type of collateral for the pledged loans provided by us to customers is mainly equity.

Other Assets

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Prepayment	708	654
Others	586	439
Total other assets	1,294	1,093

Accruals and other payables

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Staff costs payable	2,217	4,144
Value-added tax payable	2,142	2,161
Tax and surcharges and other taxation payable	243	980
Guarantee deposit payable	5,117	5,117
Auditors' remuneration payable	849	2,198
Other payables	5,218	7,610
Total accruals and other payables	15,786	22,210

As at 30 June 2025, as compared to 31 December 2024, our accruals and other payables decreased by RMB6.4 million, mainly due to the decrease in accrued staff costs, auditors' remuneration payable and other payables.

Current taxation

Our current taxation refers to our income tax payable, amounted to RMB25.1 million and RMB15.1 million, respectively as at 31 December 2024 and 30 June 2025, respectively.

Capital commitments

As of 30 June 2025, there was no capital commitment of the Group (31 December 2024: Nil).

Key Financial Indicators

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

	For the six months ended 30 June 2025	For the year ended 31 December 2024
Return on weighted average equity (%)	3.2 ⁽²⁾	3.2
Average return on assets (%) ⁽¹⁾	2.6 ⁽²⁾	2.5

Notes:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

	At 30 June 2025	At 31 December 2024
Gearing Ratio (%) ⁽¹⁾	20.1	24.1

Note:

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

Our gearing ratio decreased, which was mainly due to the decrease of RMB75.7 million in balance of interest-bearing borrowings as at 30 June 2025 as compared to 31 December 2024.

RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2025, Mr. Yu Yin, an executive Director and the chairman of the Board, and other related parties had guaranteed some of our interest-bearing borrowings. As at 30 June 2025, the amount of guarantee provided by Mr. Yu Yin and other related parties amounted to RMB57.5 million. Such related party transactions constituted the continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). As the guarantees were provided on normal commercial terms where no security over the assets of the Group was granted to Mr. Yu Yin and other related parties, the said provision of guarantees was fully exempted from Shareholders’ approval, annual review and all disclosure requirements.

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

For the six months ended 30 June 2025, the Company and Jinhui Micro-finance (a non-wholly owned subsidiary of the Company) leased properties from Zuoli Holdings Group Company Limited* (佐力控股集團有限公司) (“Zuoli Holdings”) with a depreciation on right-of-use assets and interest expense of RMB0.6 million. The entering into of the lease agreements allow the Company and Jinhui Microfinance to satisfy their operational needs. Utilities and entertainment fees amounted to RMB0.3 million were paid to Zuoli Holdings and its subsidiaries. Deqing Puhua Energy Company Limited* (德清普華能源股份有限公司) (“Puhua Energy”) is a controlling shareholder and thus a connected person of the Company under the Listing Rules. Zuoli Holdings, being the holding company of Puhua Energy, is an associate of Puhua Energy and thus also a connected person of the Company under the Listing Rules. Such related party transaction constituted connected transaction under Chapter 14A of the Listing Rules. Please refer to the Company’s announcement dated 6 July 2023 for details.

Save as disclosed above, for the six months ended 30 June 2025, there was no other connected transaction of the Company that required for the reporting, annual reviews, announcement and independent Shareholders’ approval under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

INDEBTEDNESS

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Interest-bearing borrowings	412,554	488,287

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

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2025, we did not have any off-balance sheet arrangements (31 December 2024: nil).

EMPLOYMENT AND EMOLUMENTS

As at 30 June 2025, the Group had approximately 68 employees (31 December 2024: 77). Employees' remuneration has been paid in accordance with relevant policies in the PRC. Appropriate salaries and bonuses were paid, which are commensurate with the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance, etc.

SIGNIFICANT INVESTMENT

The Group had no significant investments held during the six months ended 30 June 2025.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisition or disposal of subsidiaries, associates or joint ventures for the six months ended 30 June 2025.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2025, the Group had no share pledge (31 December 2024: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than the bank loans we obtain from commercial banks, we may also consider offshore financing or other investments plans or choices. Nevertheless, as at the date of this report, we did not have any firm intention or formulate any specific plan on material external debt financing in the short term.

FOREIGN CURRENCY RISK

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

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

CONTINGENT LIABILITIES

As at 30 June 2025, the Group did not have any significant contingent liabilities (31 December 2024: nil).

PROSPECTS

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

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

Meanwhile, Huzhou is the birthplace of the important thought that "lucid waters and lush mountains are invaluable assets" and the experimental area of the national green finance reform and innovation as well as the national sustainable development innovation zone, and is one of the best cities in Zhejiang Province and even the country in respect of financial ecological environment. Huzhou City was selected as one of the second batch of national reclaimed water recycling pilot cities, and the ESG evaluation standardization pilot project of Huzhou small and micro enterprises was successfully selected as the national social management and public service comprehensive standardization pilot project, both of which are unique in the province. These bring us a better opportunity to explore green development.

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

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

In May 2023, we have passed the acceptance test for pilot green micro-finance company and became the first green micro-finance company in Huzhou City.

INDEPENDENT AUDITOR'S REPORT



Review report to the board of directors of Zuoli Kechuang Micro-finance Company Limited

(a joint stock Company incorporated in the People's Republic of China (the "PRC") with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 51 which comprise the consolidated statement of financial position of Zuoli Kechuang Micro-finance Company Limited (the "Company") and its subsidiaries (together "the Group") as of 30 June 2025 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim financial reporting* as issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2025 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

15 August 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025 — unaudited
(Expressed in RMB'000, unless otherwise stated)

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Interest income		90,232	102,616
Interest and commission expenses		(16,413)	(21,185)
Net interest income	3	73,819	81,431
Other net (loss)/income	4	(11,510)	17,408
Impairment losses	5	4,594	(12,528)
Administrative expenses		(20,940)	(21,802)
Profit before taxation	6	45,963	64,509
Income tax	7	(12,441)	(17,883)
Profit and total comprehensive income for the period		33,522	46,626
Attributable to:			
Equity shareholders of the Company		31,903	44,940
Non-controlling interests		1,619	1,686
Profit for the period		33,522	46,626
Earnings per share			
Basic and diluted (RMB)	8	0.03	0.04

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025 — unaudited

(Expressed in RMB'000, unless otherwise stated)

	Note	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Assets			
Cash and cash equivalents	9	10,284	10,515
Interest receivables		316	367
Loans and advances to customers	10	2,402,371	2,462,054
Goodwill		12,604	12,604
Fixed assets	12	26,942	29,514
Deferred tax assets	13	65,392	62,372
Other assets		1,294	1,093
Total assets		2,519,203	2,578,519
Liabilities			
Interest-bearing borrowings	14	412,554	488,287
Lease liabilities		1,167	1,847
Accruals and other payables	15	15,786	22,210
Dividends payable	16	14,986	—
Current taxation		15,063	25,064
Total liabilities		459,556	537,408
NET ASSETS		2,059,647	2,041,111
CAPITAL AND RESERVES	17		
Share capital		1,180,000	1,180,000
Reserves		820,382	803,465
Total equity attributable to equity shareholders of the Company		2,000,382	1,983,465
Non-controlling interests		59,265	57,646
TOTAL EQUITY		2,059,647	2,041,111

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025 — unaudited
(Expressed in RMB'000, unless otherwise stated)

	Attributable to equity shareholders of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 Note 17(b)	Capital reserve RMB'000 Note 17(c)(i)	Surplus reserve RMB'000 Note 17(c)(ii)	General reserve RMB'000 Note 17(c)(iii)	Retained profits RMB'000	Total RMB'000		
Balance at 31 December 2023 and 1 January 2024	1,180,000	2,114	49,461	67,782	645,268	1,944,625	58,089	2,002,714
Changes in equity for the six months ended 30 June 2024:								
Profit and total comprehensive income for the period	—	—	—	—	44,940	44,940	1,686	46,626
Dividends approved in respect of the previous year (Note 17(a))	—	—	—	—	(23,600)	(23,600)	(3,400)	(27,000)
Balance at 30 June 2024	1,180,000	2,114	49,461	67,782	666,608	1,965,965	56,375	2,022,340
Balance at 30 June 2024 and 1 July 2024	1,180,000	2,114	49,461	67,782	666,608	1,965,965	56,375	2,022,340
Changes in equity for the six months ended 31 December 2024:								
Profit and total comprehensive income for the period	—	—	—	—	17,500	17,500	1,271	18,771
Appropriation to surplus reserve	—	—	1,378	—	(1,378)	—	—	—
Appropriation to general reserve	—	—	—	(2,074)	2,074	—	—	—
Balance at 31 December 2024	1,180,000	2,114	50,839	65,708	684,804	1,983,465	57,646	2,041,111
Balance at 31 December 2024 and 1 January 2025	1,180,000	2,114	50,839	65,708	684,804	1,983,465	57,646	2,041,111
Changes in equity for the six months ended 30 June 2025:								
Profit and total comprehensive income for the period	—	—	—	—	31,903	31,903	1,619	33,522
Dividends approved in respect of the previous year (Note 17(a))	—	—	—	—	(14,986)	(14,986)	—	(14,986)
Balance at 30 June 2025	1,180,000	2,114	50,839	65,708	701,721	2,000,382	59,265	2,059,647

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2025 — unaudited
(Expressed in RMB'000, unless otherwise stated)

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Operating activities			
Cash generated from operations		131,426	132,662
PRC income tax paid		(25,462)	(35,977)
Net cash generated from operating activities		105,964	96,685
Investing activities			
Proceeds from disposal of fixed assets		—	58
Net cash generated from investing activities		—	58
Financing activities			
Proceeds from bank loans		25,000	25,000
Proceeds from Euro zone borrowings		72,352	32,180
Repayment of bank loans		(25,000)	(25,000)
Repayment of third parties borrowings		—	(41,110)
Repayment of Euro zone borrowings		(162,192)	(65,433)
Interest paid		(15,563)	(14,263)
Capital element of lease rentals paid		(746)	(755)
Interest element of lease rentals paid		(46)	(85)
Net cash used in financing activities		(106,195)	(89,466)
Net (decrease)/increase in cash and cash equivalents		(231)	7,277
Cash and cash equivalents at 1 January	9	10,515	17,478
Effect of foreign exchange rates changes		—	—
Cash and cash equivalents at 30 June	9	10,284	24,755

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 15 August 2025.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2024 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to HKAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability* issued by the HKICPA to this interim financial report for the current accounting period. The amendments do not have a material impact on this interim report as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

3 NET INTEREST INCOME

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

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Interest income arising from		
Loans and advances to customers	90,211	102,550
Cash at banks	21	66
	90,232	102,616
Interest and commission expenses arising from		
Borrowings from banks	(506)	(502)
Borrowings from non-bank institutions	(15,822)	(20,556)
Lease liabilities	(46)	(85)
Bank charges	(39)	(42)
	(16,413)	(21,185)
Net interest income	73,819	81,431

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's net interest income during the period. Details of credit risk management are set out in Note 18(a).

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

4 OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Government grants	—	13,344
Exchange (losses)/gains	(11,645)	3,990
Gains from disposal of fixed assets	—	42
Others	135	32
Total	(11,510)	17,408

5 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Loans and advances to customers (Note 10)	4,995	(11,468)
Interest receivables	(401)	(1,047)
Other assets	—	(13)
Total	4,594	(12,528)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Salaries, bonuses and allowance	5,670	6,403
Social insurance and other benefits	1,033	1,194
Contribution to retirement scheme	145	160
Total	6,848	7,757

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

(b) Other items

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Depreciation expenses (Note 12)		
— owned fixed assets	1,691	1,709
— right-of-use assets	682	680
— Investment property	199	199
Auditors' remuneration	899	899
Operating lease charges	—	10

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

7 INCOME TAX

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Current tax		
Provision for PRC income tax for the period	15,461	17,429
Deferred tax (Note 13)		
Origination and reversal of temporary differences	(3,020)	454
Total	12,441	17,883

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in the PRC are subject to the PRC income tax at the statutory tax rate of 25% for the six months ended 30 June 2025 (six months ended 30 June 2024: 25%).
- (ii) No provision for Hong Kong Profit Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profit Tax for the six months ended 30 June 2025 and 30 June 2024.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB31.9 million (six months ended 30 June 2024: RMB44.9 million) and the weighted average of 1,180,000,000 ordinary shares (six months ended 30 June 2024: 1,180,000,000) in issue during the interim period.

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2025 and 30 June 2024, and therefore, diluted earnings per share are the same as the basic earnings per share.

9 CASH AND CASH EQUIVALENTS

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Cash in hand	2	2
Cash at banks	10,164	10,372
Others	118	141
Cash and cash equivalents in the cash flow statement	10,284	10,515

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Corporate loans	1,138,250	1,219,180
Retail loans	1,410,309	1,395,888
Micro-loans granted online	23,000	25,466
Sub-total	2,571,559	2,640,534
Accrued interest	20,892	15,734
Gross loans and advances to customers	2,592,451	2,656,268
Less: Allowances for impairment losses	(190,080)	(194,214)
Net loans and advances to customers	2,402,371	2,462,054

(b) Analysed by type of collateral

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Unsecured loans	25,368	27,870
Guaranteed loans	2,521,356	2,586,792
Collateralized loans	3,100	3,379
Pledged loans	21,735	22,493
Sub-total	2,571,559	2,640,534
Accrued interest	20,892	15,734
Gross loans and advances to customers	2,592,451	2,656,268
Less: Allowances for impairment losses	(190,080)	(194,214)
Net loans and advances to customers	2,402,371	2,462,054

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by industry sector

	At 30 June 2025		At 31 December 2024	
	RMB'000	%	RMB'000	%
Wholesale and retail	591,150	22%	653,700	24%
Manufacturing	128,600	5%	131,380	5%
Construction	145,000	6%	148,700	5%
Agriculture, forestry, animal husbandry and fishery	400	1%	400	1%
Others	273,100	11%	285,000	11%
Corporate loans	1,138,250	45%	1,219,180	46%
Retail loans	1,410,309	54%	1,395,888	53%
Micro-loans granted online	23,000	1%	25,466	1%
Sub-total	2,571,559	100%	2,640,534	100%
Accrued interest	20,892		15,734	
Gross loans and advances to customers	2,592,451		2,656,268	
Less: Allowances for impairment losses	(190,080)		(194,214)	
Net loans and advances to customers	2,402,371		2,462,054	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	At 30 June 2025				
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	Total RMB'000
Unsecured loans	6,111	392	98	14,555	21,156
Guaranteed loans	4,853	2,452	9,057	51,608	67,970
Collateralized loans	—	—	—	2,500	2,500
Pledged loans	4,000	3,964	—	—	7,964
Total	14,964	6,808	9,155	68,663	99,590

	At 31 December 2024				
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	Total RMB'000
Unsecured loans	113	61	1,415	13,546	15,135
Guaranteed loans	9,380	11,932	7,942	57,788	87,042
Collateralized loans	—	—	—	2,779	2,779
Total	9,493	11,993	9,357	74,113	104,956

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	At 30 June 2025			Total RMB'000
	12-month ECLs RMB'000	Lifetime ECLs non credit- impaired RMB'000	Lifetime ECLs credit- impaired RMB'000	
Gross loans and advances to customers	2,085,503	407,601	99,347	2,592,451
Less: Allowances for impairment losses	(65,463)	(35,260)	(89,357)	(190,080)
Net loans and advances to customers	2,020,040	372,341	9,990	2,402,371

	At 31 December 2024			Total RMB'000
	12-month ECLs RMB'000	Lifetime ECLs non credit- impaired RMB'000	Lifetime ECLs credit- impaired RMB'000	
Gross loans and advances to customers	2,167,309	384,215	104,744	2,656,268
Less: Allowances for impairment losses	(62,817)	(37,021)	(94,376)	(194,214)
Net loans and advances to customers	2,104,492	347,194	10,368	2,462,054

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of allowances for impairment losses

	Six months ended 30 June 2025			Total RMB'000
	12-month ECLs RMB'000	Lifetime ECLs non credit- impaired RMB'000	Lifetime ECLs credit- impaired RMB'000	
At 1 January 2025	62,817	37,021	94,376	194,214
Transferred to				
— Lifetime ECLs non credit-impaired	(1,290)	1,290	—	—
— Lifetime ECLs credit-impaired	(545)	(479)	1,024	—
Charge/(reversal) for the period	4,481	(2,572)	(6,904)	(4,995)
Recoveries of loans and advances written off in previous years	—	—	861	861
At 30 June 2025	65,463	35,260	89,357	190,080

	Year ended 31 December 2024			Total RMB'000
	12-month ECLs RMB'000	Lifetime ECLs non credit- impaired RMB'000	Lifetime ECLs credit- impaired RMB'000	
At 1 January 2024	74,987	13,480	110,028	198,495
Transferred to				
— Lifetime ECLs non credit-impaired	(1)	1	—	—
— Lifetime ECLs credit-impaired	(340)	(1,039)	1,379	—
(Reversal)/charge for the year	(11,829)	24,579	19,423	32,173
Write off	—	—	(37,137)	(37,137)
Recoveries of loans and advances written off in previous years	—	—	683	683
At 31 December 2024	62,817	37,021	94,376	194,214

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(g) Analysed by credit quality

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Gross balance of loans and advances to customers that are assessed for 12-month ECLs — Neither overdue nor credit-impaired	2,085,503	2,167,309
Sub-total	2,085,503	2,167,309
Gross balance of loans and advances to customers that are assessed for lifetime ECLs non credit-impaired — Overdue but not credit-impaired — Neither overdue nor credit-impaired	243 407,358	212 384,003
Sub-total	407,601	384,215
Gross balance of loans and advances to customers that are assessed for lifetime ECLs credit-impaired — Overdue and credit-impaired	99,347	104,744
Sub-total	99,347	104,744
Less: Allowances for impairment losses	(190,080)	(194,214)
Net value	2,402,371	2,462,054

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

11 INVESTMENTS IN SUBSIDIARIES

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

Name of Companies	Place of incorporation and business	Paid-up capital	Proportion of ownership interest at 30 June 2025 and 31 December 2024		
			Group's effective interest	Held by the Company	Principal activities
Deqing Jinhui Micro-finance Company Limited (德清金匯小額貸款有限公司) ("Jinhui Micro-finance") (Note (i))	Deqing, Zhejiang	1,228,000,000	99.76%	99.76%	Micro-finance
Zuoli Micro-finance Hong Kong International Investment Company Limited (佐力小貸香港國際投資有限公司) ("Zuoli HK") (Note (ii))	Hong Kong	—	100.00%	100.00%	Investment, Trading
Hangzhou High-tech District (Binjiang) Xing Yao Pu Hui Micro-finance Co., Ltd. (杭州市高新區(濱江)興耀普匯小額貸款有限公司) ("Xingyao Micro-finance") (Note (iii))	Hangzhou, Zhejiang	100,000,000	66.00%	66.00%	Micro-finance

Notes:

- (i) Pursuant to the equity transfer agreement and the supplemental agreement entered into by the Company and a non-controlling shareholder of Jinhui Micro-finance dated 25 January 2021 and 6 July 2021, the Company acquired 0.33% equity interest in Jinhui Micro-finance at a consideration of RMB4.8 million after obtaining approvals from relevant authorities in the PRC. Upon the completion of the aforementioned acquisition, the Company's equity interest in Jinhui Micro-finance increased from approximately 99.43% to 99.76%. As at 31 December 2022, the Company had paid RMB4.8 million in accordance with the payment plan in the supplemental agreement. The difference between the acquisition consideration and the carrying amount of the 0.33% equity interest in Jinhui Micro-finance amounted to RMB447 thousand and was recorded as Reserves-Capital reserve in the consolidated statement of financial position as at 31 December 2021.
- (ii) On 18 August 2015 (date of incorporation), Zuoli HK's 1,000,000 shares with par value of HK\$1 was allotted and issued to its sole shareholder, the Company. As at 30 June 2025, the issued shares had not been paid by the Company.
- (iii) Pursuant to the equity transfer agreements entered into by the Company and non-controlling shareholders of Xingyao Micro-finance in 2022, the Company acquired 6.00% equity interest in Xingyao Micro-finance at total consideration of RMB8,244 thousand after obtaining approvals from PRC relevant authorities on 9 February 2023. Upon the completion of the aforementioned acquisition, the Company's equity interest in Xingyao Micro-finance increased from 60.00% to 66.00%. As at 31 December 2023, the Company had paid RMB8,244 thousand in accordance with the equity transfer agreements. The difference between the acquisition consideration and the carrying amount of the 6.00% equity interest in Xingyao Micro-finance amounted to RMB687 thousand and was recorded as Reserves-Capital reserve in the consolidated statement of financial position as at 31 December 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

12 FIXED ASSETS

(a) Reconciliation of carrying amount

	Premises for own use RMB'000	Right-of- use assets RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvement RMB'000	Sub-total RMB'000	Investment property RMB'000	Total RMB'000
Cost:									
At 1 January 2024	7,007	4,086	3,902	3,538	2,051	35,883	56,467	15,108	71,575
Additions	—	276	—	—	—	—	276	—	276
Retirement	—	(818)	—	(302)	—	—	(1,120)	—	(1,120)
At 31 December 2024 and 1 January 2025	7,007	3,544	3,902	3,236	2,051	35,883	55,623	15,108	70,731
Additions	—	—	—	—	—	—	—	—	—
At 30 June 2025	7,007	3,544	3,902	3,236	2,051	35,883	55,623	15,108	70,731
Accumulated depreciation:									
At 1 January 2024	(1,091)	(1,047)	(3,742)	(3,417)	(1,886)	(23,361)	(34,544)	(2,618)	(37,162)
Charge for the year	(333)	(1,361)	(22)	—	(42)	(3,005)	(4,763)	(398)	(5,161)
Retirement	—	818	—	288	—	—	1,106	—	1,106
At 31 December 2024 and 1 January 2025	(1,424)	(1,590)	(3,764)	(3,129)	(1,928)	(26,366)	(38,201)	(3,016)	(41,217)
Charge for the period	(166)	(682)	(3)	—	(19)	(1,503)	(2,373)	(199)	(2,572)
At 30 June 2025	(1,590)	(2,272)	(3,767)	(3,129)	(1,947)	(27,869)	(40,574)	(3,215)	(43,789)
Net book value:									
At 30 June 2025	5,417	1,272	135	107	104	8,014	15,049	11,893	26,942
At 31 December 2024	5,583	1,954	138	107	123	9,517	17,422	12,092	29,514

(b) Right-of-use assets

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Premises leased for own use, carried at depreciated cost	1,272	1,954

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(Expressed in RMB'000, unless otherwise stated)

13 DEFERRED TAX ASSETS

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

Deferred tax assets arising from:	Provision for impairment losses RMB'000	Accrued expenses RMB'000	Tax deductible losses RMB'000	Exchange gains RMB'000	Total RMB'000
At 1 January 2024	55,474	57	1,801	4,339	61,671
Charged/(credited) to profit or loss	2,343	(2)	(857)	(783)	701
At 31 December 2024 and 1 January 2025	57,817	55	944	3,556	62,372
(Credited)/charged to profit or loss (Note 7)	(416)	(3)	5,560	(2,121)	3,020
At 30 June 2025	57,401	52	6,504	1,435	65,392

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

14 INTEREST-BEARING BORROWINGS

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Bank loans (Note (i))		
— Amortised cost	25,000	25,000
— Accrued interest	28	28
	25,028	25,028
Borrowings from Euro zone (Note (ii))		
— Amortised cost	381,827	458,369
— Accrued interest	5,699	4,890
	387,526	463,259
Total	412,554	488,287

Notes:

- (i) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2025 and 31 December 2024, none of the covenants relating to the bank loans had been breached.
- (ii) During the six months ended 30 June 2025, the Group repaid financings with nominal amount totaling EUR11.4 million. As at 30 June 2025, the remaining balance of these financing was EUR5.0 million. Among these borrowings, nominal amount totaling EUR5.0 million at an interest rate of 4.25% per annum are guaranteed by the Jinhui Micro-finance, which are due in November 2025.

During the six months ended 30 June 2025, the Group obtained financing with nominal amount totaling CNH72.9 million at an interest rate of 6.9% per annum from a financial institution located in Euro zone, which are due from January 2028 to April 2028, and repaid financings with nominal amount totaling CNH68.9 million. As at 30 June 2025, the remaining balance of these financing was CNH341.7 million. Among these borrowings, nominal amount totaling CNH150.8 million at an interest rate ranging from 6.8% to 8.03% per annum are guaranteed by the Jinhui Micro-finance, which are due from July 2025 to May 2027. Besides, nominal amount totaling CNH32.5 million at an interest rate of 6.6% per annum are guaranteed by Jinhui Micro-finance and Deqing Puhua Energy Co., Ltd., which are due in January 2029.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

15 ACCRUALS AND OTHER PAYABLES

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Accrued staff costs	2,217	4,144
Value-added tax payable	2,142	2,161
Tax and surcharges and other taxation payable	243	980
Guarantee deposit	5,117	5,117
Auditors' remuneration payable	849	2,198
Other payables	5,218	7,610
	15,786	22,210

16 DIVIDENDS PAYABLE

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Dividends payable (Note 17(a))	14,986	—

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Final dividend in respect of the previous financial year, approved during the period, of RMB0.0127 per share (six months ended 30 June 2024: RMB0.02 per share)	14,986	23,600

At the annual general meeting held on 13 June 2025, the cash dividends of RMB0.0127 per share before tax in aggregation amount of RMB14.986 million was approved to declare to all equity shareholders. The dividend was attributable to the year of 2024. (Six months ended 30 June 2024: RMB23.6 million)

At the Xingyao Micro-finance's shareholders' meeting held on 6 June 2024, the cash dividend of RMB10.0 million was approved to declare to all equity shareholders and paid during the year ended 31 December 2024. The dividend was attributable to the year of 2023.

(b) Share capital

As at 30 June 2025, the share capital represented 1,180,000,000 ordinary shares of the Company at RMB1 each.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

17 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves

(i) *Capital reserve*

The capital reserve represents the increase of equity interest in Jinhui Micro-finance and Xingyao Micro-finance arising from the capital injection to Jinhui Micro-finance and acquiring equity interest in Jinhui Micro-finance and Xingyao Micro-finance from non-controlling shareholders. For details, please see Note 11.

(ii) *Surplus reserve*

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

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

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

(iii) *General reserve*

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

17 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Capital management

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

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

There were no changes in the Group's approach to capital management during the period from 1 January 2024 to 30 June 2024 and from 1 January 2025 to 30 June 2025.

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

18 FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

Credit risk arising from micro-finance business

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit risk arising from micro-finance business (Continued)

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

Stage 1

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

Stage 2

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

Stage 3

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

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

When a certain number of customers undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to a particular industry or geographic location. As the Group mainly conducts micro-finance business in Zhejiang Province, a certain level of geographical concentration risk exists for its loan portfolios in that it might be affected by changes of economic conditions. At 30 June 2025, 1.91% (31 December 2024: 1.89%) and 7.17% (31 December 2024: 7.42%) of the total loans and advances to customers was due from the Group's largest customer and the five largest customers respectively.

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

Other credit risk

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

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

	At 30 June 2025					Carrying amount RMB'000
	Overdue/ Repayment on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	Total RMB'000	
Assets						
Cash and cash equivalents	10,284	—	—	—	10,284	10,284
Interest receivables	316	—	—	—	316	316
Loans and advances to customers	99,590	303,536	2,213,349	18,562	2,635,037	2,402,371
Other assets	586	—	—	—	586	586
Total	110,776	303,536	2,213,349	18,562	2,646,223	2,413,557
Liabilities						
Interest-bearing borrowings	—	(41,033)	(239,848)	(162,037)	(442,918)	(412,554)
Lease liabilities	—	(596)	(596)	—	(1,192)	(1,167)
Accruals and other payables	(11,184)	—	—	—	(11,184)	(11,184)
Total	(11,184)	(41,629)	(240,444)	(162,037)	(455,294)	(424,905)
	99,592	261,907	1,972,905	(143,475)	2,190,929	1,988,652

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(Expressed in RMB'000, unless otherwise stated)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	31 December 2024					
	Overdue/ Repayment on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	Total RMB'000	Carrying amount RMB'000
Assets						
Cash and cash equivalents	10,515	—	—	—	10,515	10,515
Interest receivables	367	—	—	—	367	367
Loans and advances to customers	104,956	335,708	2,264,110	20,317	2,725,091	2,462,054
Other assets	439	—	—	—	439	439
Total	116,277	335,708	2,264,110	20,317	2,736,412	2,473,375
Liabilities						
Interest-bearing borrowings	—	(3,807)	(337,593)	(180,012)	(521,412)	(488,287)
Lease liabilities	—	(596)	(726)	(596)	(1,918)	(1,847)
Accruals and other payables	(14,925)	—	—	—	(14,925)	(14,925)
Total	(14,925)	(4,403)	(338,319)	(180,608)	(538,255)	(505,059)
	101,352	331,305	1,925,791	(160,291)	2,198,157	1,968,316

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(Expressed in RMB'000, unless otherwise stated)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest risk

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

(i) Interest rate profile

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

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Fixed interest rate		
Financial assets		
— Loans and advances to customers	2,402,371	2,462,054
Financial liabilities		
— Interest-bearing borrowings	(412,554)	(488,287)
— Lease liabilities	(1,167)	(1,847)
Net	1,988,650	1,971,920
Variable interest rate		
Financial assets		
— Cash at banks	10,164	10,372
Net	10,164	10,372
Net fixed rate borrowings as a percentage of total borrowings	100.00%	100.00%

(ii) Sensitivity analysis

At 30 June 2025 and 31 December 2024, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the Group's net profit during the next 12 months by approximately RMB38,000 and RMB39,000 respectively.

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

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(Expressed in RMB'000, unless otherwise stated)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk

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

(i) *Exposure to currency risk*

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

	Exposure to foreign currencies	
	At 30 June 2025 Euros RMB'000	At 31 December 2024 Euros RMB'000
Interest-bearing borrowings	(42,250)	(124,527)
	(42,250)	(124,527)

(ii) *Sensitivity analysis*

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

	At 30 June 2025		At 31 December 2024	
	Increase/ (decrease) in foreign exchange rates bps	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates bps	Effect on profit after tax and retained profits RMB'000
Euros	100 (100)	(317) 317	100 (100)	(934) 934

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

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurement

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

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

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

As at 30 June 2025 and 31 December 2024, there were no financial instruments measured at fair value of the Group.

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

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values at 31 December 2024 and 30 June 2025.

19 COMMITMENTS

As at 30 June 2025 and 31 December 2024, there is no capital commitment of the Group.

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(Expressed in RMB'000, unless otherwise stated)

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Key management personnel remuneration (Note (i))	1,075	1,515
Receiving guarantees for bank loans (Note (ii))	25,000	25,000
Releasing guarantees for bank loans (Note (ii))	(25,000)	(25,000)
Releasing guarantees for borrowing from third parties	—	(41,110)

Notes:

- (i) Remuneration of key management personnel of the Group is included in "staff cost" (see Note 6(a)).
- (ii) The guarantees for bank loans during the six months ended 30 June 2025 were provided by the Chairman of the Board without charges. For the details of bank loans, please refer to Note 14(i).

(b) Balances with key management personnel

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Guarantees received for bank loans	25,000	25,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000, unless otherwise stated)

20 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other related party transactions

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Administrative expenses (Note (i))	339	431
Depreciation expense of right-of-use assets (Note (ii))	544	544
Interest expense of lease liabilities (Note (ii))	43	82
Receiving guarantees for bank loans (Note (iii))	25,000	25,000
Releasing guarantees for bank loans (Note (iii))	(25,000)	(25,000)
Releasing guarantees for borrowings from third parties	—	(41,110)

Notes:

- (i) The utilities and entertainment fees were paid to Zuoli Holdings Group Company Limited and its subsidiary.
- (ii) On 6 July 2023, the Company and Zuoli Holdings Group Company Limited entered into a new lease agreement, pursuant to which Zuoli Holdings Group Company Limited agreed to lease a property to the Group for a term of 3 years commencing from 7 July 2023 and ending on 6 July 2026.
- (iii) The guarantees for bank loans during the six months ended 30 June 2025 were provided by other related parties of the Group without charges. For the details of bank loans, please refer to Note 14(i).

(d) Balances with other related parties

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Lease liabilities	1,167	1,719
Guarantees received for bank loans	25,000	25,000
Guarantees received for borrowing from Euro zone	32,504	32,504

OTHER INFORMATION

CORPORATE GOVERNANCE

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

As of the date of this report, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions of the CG Code set out in Appendix C1 to the Listing Rules. Throughout the six months ended 30 June 2025, the Company has fully complied with the CG Code.

PUBLIC FLOAT

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

UPDATE ON INFORMATION OF DIRECTORS AND SUPERVISORS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of our Company. After specific enquiry with all the Directors and supervisors of the Company, they have confirmed fully compliance with the relevant standards stipulated in the Model Code throughout the six months ended 30 June 2025.

Any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company, is likely to be in possession of inside information in relation to the securities of the Company, has also been requested not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a director.

SHARE CAPITAL

As at 30 June 2025, the total issued share capital of the Company was RMB1,180,000,000, divided into 1,180,000,000 shares of RMB1.00 each, of which 880,000,000 were Domestic Shares and 300,000,000 were H Shares.

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

As at 30 June 2025, the interests or short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests of the Directors in the Shares

Name of Director	Class of shares	Number of shares ⁽⁴⁾	Nature of interest	Approximate percentage in the relevant class of shares ⁽¹⁾	Approximate percentage in the total issued shares ⁽¹⁾
Yu Yin	Domestic Shares	98,000,000 (L)	Beneficial owner ⁽²⁾	11.14%	8.31%
	Domestic Shares	345,472,000 (L)	Interests held jointly with another person ⁽²⁾	39.26%	29.28%
Zheng Xuegen	Domestic Shares	2,992,000 (L)	Beneficial owner	0.34%	0.25%
Pan Zhongmin	Domestic Shares	11,792,000 (L)	Interest of a controlled Corporation ⁽³⁾	1.34%	1.00%

Notes:

- (1) The calculation is based on the total number of 1,180,000,000 ordinary shares of the Company in issue as at 30 June 2025, which is comprised of 880,000,000 Domestic Shares and 300,000,000 H Shares.
- (2) On 28 April 2014, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy entered into the Acting in Concert Agreement, pursuant to which they jointly and severally undertook that they would, by themselves, together with their associates or through the companies controlled by them, adopt a consensus building approach to reach decisions on a unanimous basis, and exercise their voting rights at the meetings of the Shareholders of the Company (and of its subsidiaries, if any in the future) based on such decisions. As at 30 June 2025, Mr. Yu Youqiang (through Deqing Yintian, Zuoli Holdings and Puhua Energy), Mr. Yu Yin, Mr. Shen Haiying (by himself and through Dingsheng Investment and Zuoli Holdings), Mr. Zhang Jianming and Puhua Energy together control approximately 37.58% of the total issued shares in the Company. As a result of the Acting in Concert Agreement and by virtue of the SFO, each of Puhua Energy, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying and Mr. Zhang Jianming are deemed to be interested in approximately 37.58% of the total issued shares in the Company.
- (3) Mr. Pan Zhongmin holds 75.50% of the equity interest of Bangni Fiber, which in turn holds approximately 1.00% of the total issued shares in the Company. By virtue of the SFO, Mr. Pan Zhongmin is deemed to be interested in approximately 1.00% of the total issued shares in the Company.
- (4) The letter "L" denotes the person's long position in such securities.

Save as disclosed above, as at 30 June 2025, none of the Directors, Supervisors nor chief executive of the Company has registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2025, the persons or corporations who had or deemed or taken to have an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares ⁽⁶⁾	Nature of interest	Percentage in the relevant class of share capital ⁽¹⁾	Percentage in the total issued share capital ⁽¹⁾
Mr. Yu Youqiang	Domestic Shares	443,472,000 (L)	Interest of a controlled corporation ⁽²⁾⁽³⁾	50.39%	37.58%
Puhua Energy	Domestic Shares	322,540,960 (L)	Beneficial owner ⁽²⁾	36.65%	27.33%
	Domestic Shares	120,931,040 (L)	Interests held jointly with another person ⁽²⁾	13.74%	10.25%
Zuoli Holdings	Domestic Shares	443,472,000 (L)	Interest of a controlled corporation ⁽²⁾⁽⁴⁾	50.39%	37.58%
Deqing Yintian	Domestic Shares	443,472,000 (L)	Interest of a controlled corporation ⁽²⁾⁽⁵⁾	50.39%	37.58%
Mr. Shen Haiying	Domestic Shares	3,630,000 (L)	Beneficial owner ⁽²⁾	0.41%	0.31%
	Domestic Shares	439,842,000 (L)	Interests held jointly with another person ⁽²⁾	49.98%	37.27%
Dingsheng Investment	Domestic Shares	443,472,000 (L)	Interests held jointly with another person ⁽²⁾	50.39%	37.58%
Mr. Zhang Jianming	Domestic Shares	19,301,040 (L)	Beneficial owner ⁽²⁾	2.19%	1.64%
	Domestic Shares	424,170,960 (L)	Interests held jointly with another person ⁽²⁾	48.20%	35.95%
Mr. Peng Tao	H Shares	68,200,000 (L)	Beneficial owner	22.73%	5.78%
Gawsun (HK) International Trading Co., Limited	H Shares	65,860,000 (L)	Beneficial owner	21.95%	5.58%

Notes:

- (1) The calculation is based on the total number of 1,180,000,000 ordinary shares of the Company in issue as at 30 June 2021, which is comprised of 880,000,000 Domestic Shares and 300,000,000 H Shares.
- (2) On 28 April 2014, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy entered into an Acting in Concert Agreement, pursuant to which they jointly and severally undertook that they would, by themselves, together with their associates or through the companies controlled by them, adopt a consensus building approach to reach decisions on a unanimous basis, and exercise their voting rights at the meetings of the Shareholders (and of its subsidiaries, if any in the future) based on such decisions. As at 30 June 2025, Mr. Yu Youqiang (through Deqing Yintian, Zuoli Holdings and Puhua Energy), Mr. Yu Yin, Mr. Shen Haiying (by himself and through Dingsheng Investment and Zuoli Holdings), Mr. Zhang Jianming and Puhua Energy together control approximately 37.58% of the issued share capital in the Company. As a result of the Acting in Concert Agreement and by virtue of the SFO, each of Puhua Energy, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying and Mr. Zhang Jianming are deemed to be interested in approximately 37.58% of the issued share capital in the Company.
- (3) As Puhua Energy is indirectly controlled by Mr. Yu Youqiang, Mr. Yu Youqiang is deemed to be interested in the Shares held by Puhua Energy.
- (4) Puhua Energy is owned by Zuoli Holdings directly and indirectly as to 100% of its equity interest in aggregate. By virtue of the SFO, Zuoli Holdings is deemed to be interested in the Shares held by Puhua Energy.
- (5) Deqing Yintian is wholly owned by Mr. Yu Youqiang and holds approximately 79.56% of the equity interest in Zuoli Holdings. Zuoli Holdings is controlled by Deqing Yintian and therefore Deqing Yintian is deemed to be interested in the Shares held by Zuoli Holdings.
- (6) The letter "L" denotes the person's long position in such securities.

Save as disclosed above, the Directors were not aware of, as at 30 June 2025, any other person or corporations who had or deemed or taken to have an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

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

The Group has not purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2025.

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2025 (2024: nil).

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after 30 June 2025 and up to the date of this report.

OTHER INFORMATION

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

On 23 April 2025, Puhua Energy, a controlling shareholder of the Company, notified the Company that it has charged 322,540,960 domestic shares, representing 27.33% of the total issued share capital of the Company, in favour of Zhegu (Hangzhou) Corporate Management Company Limited*.

For details of the above, please refer to the announcement of the Company dated 23 April 2025.

AUDIT COMMITTEE

The Interim Results has been reviewed by the Audit Committee.

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

Hong Kong, 15 August 2025

* For identification purpose only