



CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

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



**INTERIM REPORT 2019**



## **We are committed to making financial services everywhere**

China Huirong Financial Holdings Limited was established in 2011 and its shares were listed on the Main Board of the Hong Kong Stock Exchange on 28 October 2013 (Stock Code: 1290). The Company's principal businesses include inclusive finance, technology finance, supply chain finance, online lending intermediary, personal property backed loans, insurance brokerage and investment.

With the goal of achieving nationwide business coverage, the Company has implemented the dual-driver strategy of "inclusive finance + technology finance", for striving to offer comprehensive financial services to small and medium enterprises ("SMEs") and individual clients as well as quality and safe financial assets to investors and financial institutions. As our brand has been well regarded by the public with our stable asset quality and our continuously improving profitability, we have gradually developed into a company that offers comprehensive fin-tech services.

## **CONTENTS**

Corporate Information	<b>2</b>
Financial Summary	<b>4</b>
Management Discussion and Analysis	<b>5</b>
Other Information	<b>19</b>
Report on Review of Interim Financial Information	<b>27</b>
Interim Condensed Consolidated Statement of Comprehensive Income	<b>28</b>
Interim Condensed Consolidated Statement of Financial Position	<b>29</b>
Interim Condensed Consolidated Statement of Changes in Equity	<b>31</b>
Interim Condensed Consolidated Statement of Cash Flows	<b>33</b>
Notes to the Interim Condensed Consolidated Financial Information	<b>34</b>
Definitions	<b>76</b>
Glossary	<b>80</b>

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wu Min (*Chairman and Chief Executive Officer*)  
Mr. Zhang Changsong (*Chief Financial Officer*)

### Non-executive Directors

Mr. Zhuo You  
Mr. Zhang Cheng  
Ms. Zhang Shu  
Mr. Ling Xiaoming

### Independent Non-executive Directors

Mr. Zhang Huaqiao  
Mr. Feng Ke  
Mr. Tse Yat Hong

## COMMITTEE COMPOSITION

### Audit Committee

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

### Remuneration Committee

Mr. Zhang Huaqiao (*Chairman*)  
Mr. Tse Yat Hong  
Mr. Wu Min

### Nomination Committee

Mr. Wu Min (*Chairman*)  
Mr. Feng Ke  
Mr. Zhang Huaqiao

### Technology Finance Business Committee

Mr. Feng Ke (*Chairman*)  
Mr. Wu Min  
Mr. Zhang Changsong

## COMPANY SECRETARY

Miss Leung Ching Ching

## AUTHORISED REPRESENTATIVES

Mr. Wu Min  
Miss Leung Ching Ching

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

22/F, 345 Baodai East Road, Suzhou  
Jiangsu Province, the PRC

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

## PRINCIPAL BANKS

Jiangsu Bank, Suzhou Branch  
Suzhou Bank, Suzhou Branch



## **CORPORATE INFORMATION (Continued)**

### **AUDITORS**

PricewaterhouseCoopers

### **LEGAL ADVISERS**

Mayer Brown

Haiwen & Partners

### **COMPANY'S WEBSITE**

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

### **STOCK CODE**

The shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited

Stock Code 01290

# FINANCIAL SUMMARY

## Six Months Ended 30 June

	2019 RMB'000	2018 RMB'000	Change %
<b>Operating Results</b>			
Interest income	153,083	127,947	20%
Net interest income	127,146	99,163	28%
Profit attributable to owners of the Company	31,141	25,339	23%
Basic earnings per share (RMB)	0.029	0.023	26%

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000	Change %
<b>Financial Position</b>			
Total assets	3,132,212	2,800,226	12%
Loans to customers	1,815,020	1,738,283	4%
Cash at bank and cash on hand	1,001,846	797,964	26%
Net assets	1,911,753	1,897,028	1%

# MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Company established four business divisions, namely the inclusive finance business division, technology finance business division, online lending intermediary business division and insurance brokerage business division, and classified our original businesses and new businesses into such four business divisions by business scope and nature for the purpose of operation and management. To present business updates of the Company to the shareholders of the Company, this management discussion and analysis has been organized according to these four business divisions to help our investors get a better understanding of the Company's existing business composition.

## 1. BUSINESS REVIEW AND DEVELOPMENT

### 1.1 Inclusive Finance Business Division

Inclusive finance business division conducts its business through platforms such as Suzhou Wuzhong Pawnshop Co. Ltd\* (蘇州市吳中典當有限責任公司) ("Wuzhong Pawnshop") (the largest pawnshop in Mainland China in terms of paid-up registered capital (RMB1 billion)), Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.\* (蘇州市吳中區東山農村小額貸款有限公司) ("Dongshan Micro-finance") (a company with paid-up registered capital of RMB300 million and partially owned by local government), Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)\* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)) ("Huifang Rongtong") (a company with paid-up registered capital of RMB100 million, and partially owned by a state-owned enterprise). Such division operates inclusive finance business by adhering to inclusive finance principle of small scale and decentralization and has attached great importance to risk prevention and control. Major products under this division include secured loans (including real estate backed loans and personal property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and bank-bridge loan), which focus on solving problems of short-term business turnover of SMEs and personal short-term capital turnover. The business of inclusive finance business division has covered over ten cities including Suzhou, Nanjing, Nantong, Hong Kong, Chengdu, Wuhan and Hefei, and is striving to become a leading service provider of inclusive finance in the PRC.

#### (a) Wuzhong Pawnshop

For the six months ended 30 June 2019, the following table sets out the details of total transaction amount and number of loans granted during the indicated periods:

	For the six months ended	
	30 June	
	2019	2018
Total transaction amount of new secured loans (RMB' million)		
Total transaction amount of new real estate backed loans	192	213
Total transaction amount of new personal property backed loans	23	64
Total transaction number of new secured loans		
Total transaction number of new real estate backed loans	190	188
Total transaction number of new personal property backed loans	1,530	1,961
Total transaction amount of new unsecured loans (RMB' million)	346	563
Total transaction number of new unsecured loans	27	33

Wuzhong Pawnshop primarily engages in secured loan and unsecured loan businesses. Secured loans mainly include real estate backed loans and personal property backed loans.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Real estate backed loan business primarily provides personal residential mortgage loans against properties located at core urban areas and is featured by low risks and low turnover rates. Its business coverage mainly concentrates in Jiangsu Province, Chengdu, Wuhan and Hefei. As one of the core products of the inclusive finance business division, secured loan has quality customer resources and has maintained a sound and steady trend of development. As of 30 June 2019, the total transaction amount and number of real estate backed loans granted by the Company were RMB192 million and 190 respectively, representing a stable development momentum.

For personal property backed pawn loan business, the Company has developed a variety of personal property pawn products, including gold, jewelry, diamonds, watches, bags and suitcases, and has extended its business coverage to Suzhou, Beijing, Guangzhou, Shenzhen and other cities. Though pawn is a traditional industry with long history, traditional personal property pawn industry has suffered a huge influence imposed by the rapid development of consumer loans and cash loans in recent years. However, due to its high profits and low risks, personal property backed loan is still the best financial product for the Company. For this reason, the Company sought innovation and changes in adversity to provide our customers with more diversified and more competitive personal property backed loan service, striving to revitalize traditional pawn industry.

Unsecured loans mainly include equity interest backed loans and other products, which are designed to enrich product categories and offer comprehensive financial services to our customers.

### (b) Turnover loan business of Huifang Rongtong

Huifang Rongtong primarily engages in unsecured loan businesses. For the six months ended 30 June 2019, the following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan business during the indicated periods:

	For the six months ended	
	30 June	
	2019	2018
Total new loan amount granted (RMB' million)	1,339	751
Total number of new loans granted	106	112
Balance at the end of the Reporting Period (RMB' million)	117	12

Huifang Rongtong primarily offers bank bridge loan. Bank bridge loan primarily provides funds for bridge of bank loans to SMEs who has continuous banking facility, with the features of low risks and high turnover rates. Huifang Rongtong has reached strategic cooperation on such bank bridge loan with more than 20 banks. We had established a sub-loan fund with Suzhou Wuzhong Financial Holdings Group Limited\* (蘇州市吳中金融控股有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province, and such government-enterprise cooperation fund is scarce in Suzhou and even Jiangsu Province. Such fund has served a large number of SMEs and local government platforms and accumulated over 10,000 individual and corporate customers, and becomes another stable revenue and profit growth point of the Company. As of 30 June 2019, the total amount and number of new loans granted under such business were RMB1,339 million and 106 respectively, which represents a rapid growth momentum and meets the demand of SMEs effectively.



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## (c) Dongshan Micro-finance

For the six months ended 30 June 2019, the following table sets out the details of total new loans secured by real estate, guaranteed loans and unsecured loans during the indicated periods:

	For the six months ended	
	30 June	2018
	2019	2018
Total new loan amount granted (RMB' million)	451	434
Total number of new loans granted	347	402
Balance at the end of the Reporting Period (RMB' million)	448	419

Dongshan Micro-finance is one of the few micro-finance companies rated “AAA” in Jiangsu Province, and primarily engages in providing small loans for “rural areas, agriculture and rural people” (“三農”) purposes and financial services such as finance guarantee.

## 1.2 Technology Finance Business Division

The technology finance business division is a new business division established in 2019, mainly dedicated to three major operations including supply chain technology, technical loan facilitation and technical factoring. Functioning as a new strategic business division of the Company and with the support of technologies such as cloud computation, big data and blockchain, the business division focuses on providing technical loan facilitation services including intelligent decision making engine, user analysis, real-time risk control, electronic contract, intelligent customer service to small- and medium-sized commercial banks and online financial platforms and receives consultancy fees. Our existing products cover a range of areas including inclusive finance, consumer finance and asset management, which can effectively help our partners obtain customers and improve customer experience, and has huge development potential in the future.

### (a) Aomeishu – Technical Loan Facilitation

In order to solve the existing bottleneck that China Huirong encounters in carrying out lending business with its self-owned capital and further improve the Company’s profitability and the space for imagination in the capital market, our technology finance division made its explorations and attempts in respect of technical loan facilitation. It has first acquired Sichuan Aomeishu Technology Co., Ltd.\* (四川奧美殊科技有限公司), whose business scope includes financial information technology outsourcing and financial business process outsourcing as entrusted by financial institutions, and then formed an initial business plan of technical loan facilitation after making plenty of market researches and consultations. Currently, preparations for the formal commencement of operation of technical loan facilitation have been completed. Leveraging on fintech platform and big data risk control technologies, this business will focus on referring high-quality customers and underlying assets, the majority of which would be real estates, to various financial institutions including city commercial banks, trusts, consumer finance companies, online micro lending companies. Technical loan facilitation business will become a major growth driver of China Huirong in the foreseeable future.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## (b) Huida – Technology Factoring Business

Suzhou Huida Commercial Factoring Co., Ltd.\* (蘇州匯達商業保理有限公司) was established on 30 May 2016 with a registered capital of RMB50 million and is principally engaged in accepting assignment of accounts receivable from core enterprise customers, installment payment services for consultancy fees and each kind of consumption. The company has changed the traditional operating model of factoring business through fintech empowering and has effectively competed with traditional factoring companies through differential positioning and focusing on the funding demands under specific consumption and trading scenarios. The following table sets out the operating information of the factoring business as of 30 June 2019:

	For the six months ended	
	30 June	
	2019	2018
Total number of new transaction relating to accounts receivable assignment	4	2
Total number of new transaction relating to consultancy fees installments	5	0

## (c) Supply Chain Management

Apart from the three major operations above, our technology finance business division has also established a supply chain management company to provide financial services focusing on new supply chain scenarios to emerging technical logistics enterprises.

### 1.3 Online Lending Intermediary Business Division

In order to diversify its business and expand its income stream, on 8 January 2015, the Group formally launched its online “peer-to-peer” lending (“P2P Lending”) platform, namely Suzhou Qian Dai (www.suzhoumoney.com), which forms its online lending intermediary business division. The following table sets forth information in relation to lending business through our online lending intermediary platform for the indicated periods:

	For the six months ended	
	30 June	
	2019	2018
Total transaction amount of the lending business (RMB’ million)	231	396
Total number of transactions of the lending business	259	1,221
Balance at the end of the Reporting Period (RMB’ million)	229	417

As of 30 June 2019, total transaction amount and number of lending business of Suzhou Qian Dai decreased sharply as compared with the corresponding period of last year, which was mainly because Suzhou Qian Dai has further downsized its business in light of industry regulatory policies on online lending and has maintained strict control over the total amount of its lending business for compliance with regulatory requirements.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## 1.4 Insurance Brokerage Business Division

On 19 June 2018, the Company acquired Suzhou Huifang Anda Insurance Agency Company Limited\* (蘇州匯方安達保險代理有限公司) (“Huifang Anda”), formerly named as Nanjing Shun’an Insurance Agency Company Limited\* (南京舜安保險代理有限公司) and established its insurance brokerage business division. Huifang Anda, the operation of which covers property insurance, credit letter insurance, liability insurance, personal insurance and others, taking “Integrity, responsibility, professionalism, compliance” as its corporate philosophy, has actively integrated its resources with local government and insurers and developed a brand-new insurance operating model through breaking through the traditional business pattern of insurance industry and combining with the internet and diversified insurance brokerage concepts.

## 2. FINANCIAL REVIEW

### 2.1 Overall Financial Data

	For the six months ended	
	30 June	
	2019	2018
	RMB'000	RMB'000
<b>Operating Results</b>		
Interest income	153,083	127,947
Net interest income	127,146	99,163
Net assets	1,911,753	1,897,028
General and administrative expenses	36,563	35,693
Income tax expenses	14,357	15,041
Profit attributable to equity holders	31,141	25,339
Basic earnings per share	0.029	0.023

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## 2.2 Financial Analysis on Four Principal Business Divisions

The four business divisions were established in 2019, please see the following financial analysis on the four principal business divisions and headquarters management.

### 2.2.1 Inclusive Finance Business Division

	<b>For the six months ended 30 June 2019 RMB'000</b>
Operating income	<b>128,567</b>
Operating expenses and expected credit loss	<b>98,733</b>
Profit before tax	<b>29,834</b>

As the core business segment of China Huirong, for the first half of 2019, the inclusive finance business division maintained stable growth with a newly high record in the operating income, by applying the assessment system of business division. In addition, the operating expenses were effectively controlled while each of the product lines ran steadily. As of 30 June 2019, the operating income amounted to RMB128,567 thousand and the profit before tax amounted to RMB29,834 thousand.

### 2.2.2 Technology Finance Business Division

	<b>For the six months ended 30 June 2019 RMB'000</b>
Operating income	<b>1,266</b>
Operating expenses and expected credit loss	<b>(359)</b>
Profit before tax	<b>1,625</b>

The technology finance business division was newly established at the beginning of 2019 and the team building has been completed during the first half of the year. Part of businesses of this division has not yet generated income and meanwhile, no large scale profit has been recorded due to the significant investment in the research and development of technologies. As of 30 June 2019, technology finance business division recorded an operating income of RMB1,266 thousand and a profit before tax of RMB1,625 thousand.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## 2.2.3 Online Lending Intermediary Business Division

For the  
six months  
ended 30 June  
2019  
RMB'000

Operating income	7,077
Operating expenses and expected credit loss	4,916
Profit before tax	2,161

Affected by the policies on the regulation of online leading industry (namely the reduction of both the number of online leading institutions and their business scale), Suzhou Qian Dai further reduced its business scale, therefore, it failed to realise scale benefits and the overall business scale tended to decline. In light of the active response to the regulation, Suzhou Qian Dai has become the enterprise which leads in the compliance process in the Jiangsu province.

## 2.2.4 Insurance Brokerage Business Division

For the  
six months  
ended 30 June  
2019  
RMB'000

Operating income	684
Operating expenses and expected credit loss	587
Profit before tax	97

In the first half of 2019, insurance brokerage business division completed team building and established strategic cooperation relations with a number of insurance companies, expanding its business scale continuously.

## 2.2.5 Headquarters Management

For the  
six months  
ended 30 June  
2019  
RMB'000

Operating income	62,589
Operating expenses and expected credit loss	20,519
Profit before tax	42,070

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## 3. CREDIT RISK

### 3.1 Loan Classification and Impairment Allowances

The following table sets out analysis on the credit risk exposures of loans to customers that are included in the expected credit loss (“ECL”) assessment:

	As at 30 June 2019			As at 31 December 2018	
	ECL Staging			Total	Total
	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	RMB'000	RMB'000
<b>Loans to customers</b>					
Secured loans to customers	371,676	18,488	783,752	1,173,916	1,277,155
Unsecured loans to customers	790,848	12,693	232,478	1,036,019	792,729
<b>Gross carrying amount</b>	<b>1,162,524</b>	<b>31,181</b>	<b>1,016,230</b>	<b>2,209,935</b>	2,069,884
Loss allowances	(27,476)	(4,913)	(362,526)	(394,915)	(331,601)
<b>Carrying amount</b>	<b>1,135,048</b>	<b>26,268</b>	<b>653,704</b>	<b>1,815,020</b>	1,738,283
<b>Term deposits with bank</b>					
<b>Credit grade</b>					
AAA	843,150	—	—	843,150	663,439
AA+	—	—	—	—	—
A	953	—	—	953	953
<b>Gross carrying amount</b>	<b>844,103</b>	<b>—</b>	<b>—</b>	<b>844,103</b>	664,392
Loss allowances	(288)	—	—	(288)	(164)
<b>Carrying amount</b>	<b>843,815</b>	<b>—</b>	<b>—</b>	<b>843,815</b>	664,228
<b>Other current assets (excluding mortgage assets)</b>					
<b>Gross carrying amount</b>	<b>99,737</b>	<b>—</b>	<b>—</b>	<b>99,737</b>	101,455
Loss allowances	(1,381)	—	—	(1,381)	(2,352)
<b>Carrying amount</b>	<b>98,356</b>	<b>—</b>	<b>—</b>	<b>98,356</b>	99,103

In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 30 June 2019, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB394,915 thousand, representing approximately 18% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB63,314 thousand as compared with the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets forth the breakdown of impairment allowance of the Group as of the indicated dates:

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
Secured loans to customers	<b>208,673</b>	165,608
Unsecured loans to customers	<b>186,242</b>	165,993
	<b>394,915</b>	331,601

### 3.2 New Loans under Legal Proceedings

	<b>For the six months ended 30 June 2019</b>
<b>New Secured Loans</b>	
Number of clients	<b>26</b>
Outstanding loans (RMB'000)	<b>30,434</b>
<b>New Unsecured Loans</b>	
Number of clients	<b>5</b>
Outstanding loans (RMB'000)	<b>9,849</b>

As at 30 June 2019, the balance of loans under legal proceedings accounted for 25.6% of the balance of loans to customers, representing a slight decrease from 28.8% as at 31 December 2018. For the six months ended 30 June 2019, the aggregate principal and interest of new loans under legal proceedings and loans under legal proceedings concluded was RMB40,283 thousand and RMB70,985 thousand, respectively.

## 4. TOTAL EQUITY AND CAPITAL MANAGEMENT

### 4.1 Total Equity

The total equity as at 30 June 2019 was RMB1,911,753 thousand, representing an increase of RMB14,725 thousand or 0.78% as compared with that as at 31 December 2018. The increase was mainly due to the increase of profit during the six months ended 30 June 2019. The profit attributable to equity holders for the six months ended 30 June 2019 amounted to RMB31,141 thousand.

### 4.2 Gearing Ratio Management

We monitor capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents bank borrowings less cash and cash equivalents; Total equity represents total equity as stated in the consolidated statement of financial position; Total capital is the sum of net debt and total equity.

Our gearing ratio as at 30 June 2019 was 32.0%, as compared with 27.4% as at 31 December 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## 5. BANK BORROWINGS AND PLEDGE ASSETS

	30 June 2019 RMB'000	31 December 2018 RMB'000
Bank borrowings (a)	987,615	766,286
Borrowings from micro-finance company (b)	51,000	55,000
Borrowings from securities company (c)	15,500	15,540
SME bond issued (d)	5,000	—
Private placement note (e)	—	13,250
	<b>1,059,115</b>	850,076

- (a) Bank borrowings are denominated in RMB, which mature within one year and bear fixed interest rates ranging from 3.45% to 5.44% per annum during the six months ended 30 June 2019 (2018: 4.35% to 6.09%).

As at 30 June 2019, bank borrowings with principal amount of RMB311,500 thousand (31 December 2018: RMB491,000 thousand) were secured by restricted term deposits of US\$49,800 thousand (31 December 2018: US\$85,200 thousand).

As at 30 June 2019, bank borrowings with principal amount of RMB479,000 thousand (31 December 2018: RMB74,000 thousand) were secured by restricted term deposits of RMB500,500 thousand (31 December 2018: RMB78,700 thousand).

As at 30 June 2019, bank borrowings with principal amount of RMB200,000 thousand were guaranteed by Wuzhong Jiaye and the ultimate shareholders (31 December 2018: RMB200,000 thousand).

As at 30 June 2019, the Group had no undrawn borrowing facilities (31 December 2018: Nil).

- (b) As at 30 June 2019, borrowings from micro-finance company with principal amount of RMB40,000 thousand are guaranteed by Jiangsu Wuzhong Group Co., Ltd.\* (江蘇吳中集團有限公司) (“Wuzhong Group”) (31 December 2018: RMB55,000 thousand).
- (c) As at 30 June 2019, borrowings from securities company with principal amount of RMB15,500 thousand are pledged by listed equity investment held by the Group (31 December 2018: RMB15,500 thousand).
- (d) In 2019, certain SME private placement bond was issued to outside investor by the Group, whose funding was then used in the lending business to small and micro enterprise in Jiangsu Province. The bond has a maturity within one year and bears fixed interest rate of 7.3% per annum (2018: Nil). As at 30 June 2019, the bond was guaranteed by Jiang Su Jing Chuang Credit Re-guarantee Company\* (江蘇金創信用再擔保公司) (2018: Nil).
- (e) As at 30 June 2019, there was no private placement note which were guaranteed by Wuzhong Group (31 December 2018: private placement note with principal amount of RMB12,500 thousand) was guaranteed by Wuzhong Group.



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## 6. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of purchases of property, plant and equipment and intangible assets. Our capital expenditure was RMB348 thousand for the six months ended 30 June 2019, as compared with RMB36,736 thousand for the corresponding period of last year.

## 7. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

### 7.1 Acquisition of Sichuan Aomeishu Technology Co., Ltd.\* (四川奧美殊科技有限公司)

On 8 March 2019, the Company acquired Sichuan Danyantai Technology Co., Ltd.\* (四川膽眼態科技有限公司), which has the qualification to carry out loan business. On 28 April 2019, its name was changed to Sichuan Aomeishu Technology Co., Ltd.\* (四川奧美殊科技有限公司).

### 7.2 Establishment of Lianqietong (Shanghai) Technology Co., Ltd.\* (鏈且通(上海)科技有限公司)

On 25 January 2019, Lianqietong (Shanghai) Technology Co., Ltd.\* (鏈且通(上海)科技有限公司) was established in Shanghai to develop supply chain technology finance business, and capital injection made by the Company amounted to RMB24,955 thousand.

As none of the applicable percentage ratio(s) (as calculated in accordance with Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) for the aforesaid transactions exceeds 5%, none of the aforesaid transactions constitutes a notifiable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 8. CONTINGENCIES, CONTRACTUAL OBLIGATIONS, LIQUIDITY AND FINANCIAL RESOURCES

### 8.1 Contingencies

As at 30 June 2019, the Group does not have any material contingencies (2018: Nil).

### 8.2 Commitments

#### (a) Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
No later than 1 year	1,193	4,665
Later than 1 year and no later than 5 years	—	5,302
	1,193	9,967

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## (b) Capital Commitments

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
Lianqietong (Shanghai) Technology Co., Ltd.* (鏈且通(上海)科技有限公司) (a)	<b>2,522</b>	—
Hillcrest Associated Limited	<b>440</b>	438
	<b>2,962</b>	438

- (a) The committed capital injection to Lianqietong (Shanghai) Technology Co., Ltd. is RMB27.5 million, of which RMB2.5 million has not been paid by the Group as at 30 June 2019 (31 December 2018: Nil).

## 8.3 Liquidity and Capital Resources

### a. Cash Flow Analysis

As at 30 June 2019, the Group's cash and cash equivalents amounted to RMB158,031 thousand, representing an increase of RMB20,950 thousand as compared with that of the corresponding period of last year. The following table sets forth a summary of our cash flows for the indicated periods:

	<b>Six months ended 30 June</b>	
	<b>2019 RMB'000</b>	2018 RMB'000
Net cash (outflow)/inflow from operating activities	<b>(132,527)</b>	191,253
Net cash outflow from investing activities	<b>(25,793)</b>	(39,838)
Net cash inflow/(outflow) from financing activities	<b>182,349</b>	(272,327)
Net increase/(decrease) in cash and cash equivalents	<b>24,029</b>	(120,912)
Exchange gains on cash and cash equivalents	<b>266</b>	76

#### Net Cash Flow from Operating Activities

During the Reporting Period, net cash outflow from operating activities amounted to RMB132,527 thousand, mainly due to increase of aggregate amount of loans granted as a result of scale expansion of loan business.

#### Net Cash Flow from Financing Activities

During the Reporting Period, net cash inflow from financing activities amounted to RMB182,349 thousand, mainly due to increase of credit facilities in 2019 to meet the needs of business development.

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

## b. Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments. Such outflows would deplete available cash resources for customer lending. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets.

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking credit lines) and cash and cash equivalents on the basis of expected cash flow. The Group expected to fulfill the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

## 9. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 30 June 2019, the Group had a total of 182 full-time employees, with an increase in number of 14 from 168 as at 31 December 2018. We will adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

For the six months ended 30 June 2019, employee remuneration and benefits increased by RMB2,079 thousand to RMB20,874 thousand from the corresponding period of last year.

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

## 10. USE OF PROCEEDS RAISED FROM PLACING OF NEW SHARES

The Company completed a placing of new shares under general mandate on 14 December 2017 and raised net proceeds of approximately RMB46,302,822.50 (the "Net Proceeds"). In accordance with the intention previously disclosed, the Net Proceeds were utilized as follows:

	<b>As at 30 June 2019 (Unit: RMB)</b>	As at 31 December 2018 (Unit: RMB)
General working capital (i)	<b>13,325,051.13</b>	8,949,012.07
Financing the money lending business in Hong Kong (ii)	<b>23,076,900.00</b>	35,148,650.00
Unutilised Net Proceeds (iii)	<b>9,900,871.37</b>	2,205,160.43
Total	<b>46,302,822.50</b>	46,302,822.50

# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (i) During the six months ended 30 June 2019 and the year ended 31 December 2018, the expenditures on general working capital mainly comprised rental for the Hong Kong office premise, compensation paid to Hong Kong employees, secretarial service fees, legal fees and audit fees paid. During the six months ended 30 June 2019 and the year ended 31 December 2018, incurred general working capital were RMB4,376,039.06 and RMB8,949,012.07, respectively.
- (ii) During the year ended 31 December 2018, we made inter-company short term loans in the aggregate amount of RMB35,148,650.00. During the six months ended 30 June 2019, RMB12,071,750.00 of inter-company short term loans had been repaid.
- (iii) Unutilized Net Proceeds currently held in cash are intended to be utilized as the Group's general working capital and/or for financing the Group's lending business in Hong Kong in accordance with the intention previously disclosed.

## 11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Save as disclosed in this report, the Group has no plans for material investments or acquisition of capital assets. However, the Group will continue to seek new business opportunities.

## 12. EVENTS AFTER REPORTING PERIOD

Save as disclosed in this report, there is no significant event after 30 June 2019.

## PROSPECTS

**Inclusive Finance Business Division:** Firstly, we must seize the opportunity to focus on developing the reloan fund business as our featured business. We will strengthen cooperation with banks and township governments and at the same time pay attention to business risks, actively allocate funds to meet the strong demand for funding of customers, and seek for geographical expansion of business by capitalising on the trend to actively promote the cross-regional expansion of the reloan fund business; secondly, we must endeavour to develop the mortgage loan business, which is one of our key services, and resolutely and steadily increase the scale of the mortgage loan business while also providing sufficient funds to support the business scale growth of branches in different regions.

**Technology Finance Business Division:** We will steadily promote the development of technical loan facilitation business, establish a big data risk control system that can stand the test to enhance market competitiveness; in terms of technology factoring business, we will continue to accelerate the reform of introducing state-owned capital into factoring company and constantly explore consumer finance, salary loans and other business models to strive for ground-breaking profit growth of factoring company.

**Online Lending Intermediary Business Division:** We will endeavour to maintain relationship with external regulators, strengthen communication with financial supervision authorities in provinces, municipalities and districts, actively respond to regulatory direction, well prepare for filing or transformation, review and optimise business and risk control system, and actively cope with compliance examination so as to ensure that the platform not only meets the bottom line of national policies, but also has certain market share and competitiveness.

**Insurance Brokerage Business Division:** We will continue to maintain close communication and negotiation with state-owned capital to strive for the implementation of capital participation of state-owned capital as soon as possible and the enhancement of shareholder advantage of insurance agent. As for extending business chain, it will be more competitive in securing insurance projects financed or subsidised by government finance and the existing insurance projects of district state-owned capital and district government.

# OTHER INFORMATION

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2019.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contract of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted for the six months ended 30 June 2019.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Issued Shares
Wu Min	Beneficial owner	Share Options	1,965,000 (L) <i>(Note 2)</i>	0.18%
	Beneficial owner	Ordinary Shares	1,840,000 (L)	0.17%
Zhang Changsong	Beneficial owner	Share Options	1,572,000 (L) <i>(Note 2)</i>	0.14%
	Beneficial owner	Ordinary Shares	1,510,000 (L)	0.14%
Zhuo You	Beneficial owner	Share Options	791,000 (L) <i>(Note 2)</i>	0.07%
	Interest in controlled corporation	Ordinary Shares	39,000,000 (L) <i>(Note 3)</i>	3.59%
Zhang Shu	Beneficial owner	Share Options	491,000 (L) <i>(Note 2)</i>	0.05%
	Beneficial owner	Ordinary Shares	600,000 (L)	0.06%
Zhang Cheng	Beneficial owner	Share Options	791,000 (L) <i>(Note 2)</i>	0.07%

## OTHER INFORMATION (Continued)

Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Issued Shares
Zhang Huaqiao	Beneficial owner	Share Options	982,000 (L) (Note 2)	0.09%
Feng Ke	Beneficial owner	Share Options	982,000 (L) (Note 2)	0.09%
Tse Yat Hong	Beneficial owner	Share Options	1,582,000 (L) (Note 2)	0.15%

Notes:

- (L) represents long position.
- Details of the interest in the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" and the announcement of the Company dated 13 September 2016.
- These Shares are held by Assyria Babylon Investment Co., Ltd which is 100% beneficially owned by Mr. Zhuo You, and therefore, Mr. Zhuo You is deemed to be interested in all these Shares under the SFO.

### (2) Long positions in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO)

Name of Director	Name of Associated Corporation	Nature of Interest	Amount of Registered Capital	Percentage of the Total Registered Capital
Zhuo You	Jiangsu Wuzhong Jiaye Group Co., Ltd.* (江蘇吳中嘉業集團有限公司)	Beneficial owner	RMB57,000,000 (L)	6%
	Suzhou Xinqu Hengyue Management Consulting Co., Ltd.* (蘇州新區恒悅管理諮詢有限公司)	Beneficial owner	RMB12,000,000 (L)	6%

Note:

- (L) represents long position.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION (Continued)

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

As at 30 June 2019, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares
Xiaolai Investment Co., Ltd	Beneficial owner	Ordinary Shares	260,000,000 (L)	23.92%
Xilai Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.98%
Zhu Tianxiao	Interest in controlled corporation	Ordinary Shares	325,000,000 (L) (Note 2)	29.90%
Baoxiang Investment Co., Ltd	Beneficial owner	Ordinary Shares	84,500,000 (L)	7.78%
Zhang Xiangrong	Interest in controlled corporation	Ordinary Shares	84,500,000 (L) (Note 3)	7.78%
Wonder Capital Co., Ltd	Beneficial owner	Ordinary Shares	71,500,000 (L)	6.58%
Ge Jian	Interest in controlled corporation	Ordinary Shares	71,500,000 (L) (Note 4)	6.58%
Southern Swan Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.98%
Chen Yannan	Beneficial owner	Share Options	1,965,000 (L) (Note 5)	0.18%
	Beneficial owner	Ordinary Shares	1,200,000 (L)	0.11%
	Interest in controlled corporation	Ordinary Shares	65,000,000 (L) (Note 6)	5.98%

## OTHER INFORMATION (Continued)

Notes:

1. (L) represents long position.
2. These Shares represent the 260,000,000 Shares held by Xiaolai Investment Co., Ltd and 65,000,000 Shares held by Xilai Investment Co., Ltd. Each of Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd is 100% beneficially owned by Mr. Zhu Tianxiao. Accordingly, Mr. Zhu Tianxiao is deemed to be interested in all the Shares beneficially owned by Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd under the SFO.
3. These Shares are held by Baoxiang Investment Co., Ltd, which is 100% beneficially owned by Mr. Zhang Xiangrong, and therefore, Mr. Zhang Xiangrong is deemed to be interested in all these Shares under the SFO.
4. These Shares are held by Wonder Capital Co., Ltd, which is 100% beneficially owned by Mr. Ge Jian, and therefore, Mr. Ge Jian is deemed to be interested in all these Shares under the SFO.
5. Details of the interest in the Share Option Scheme are set out below in the section headed “Share Option Scheme” and the announcement of the Company dated 13 September 2016.
6. These Shares are held by Southern Swan Investment Co., Ltd which is 100% beneficially owned by Mr. Chen Yannan, and therefore, Mr. Chen Yannan is deemed to be interested in all these Shares under the SFO.

Save as disclosed above, as at 30 June 2019, no person or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed “Directors’ and chief executive’s interests and short positions in shares and underlying shares and debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

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

### Purpose

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

### Eligible participants

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

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

As at 30 June 2019, a total of 50,000,000 share options were granted, of which 11,550,000 have been exercised. As at 30 June 2019, the number of remaining options is 27,238,000 shares, representing approximately 2.51% of the issued share capital of the Company as at the date of this interim report.



## OTHER INFORMATION (Continued)

### (a) 10% limit

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

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

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

### (b) 30% limit

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

### Maximum entitlement of each eligible person

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

### Exercise price

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

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

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

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

## OTHER INFORMATION (Continued)

### Amount payable upon acceptance of option

HK\$0.62 is payable by each eligible person to the Company on acceptance of an offer of option.

On 13 September 2016, the Board considered and approved the grant of 50,000,000 share options to certain eligible persons under the Share Option Scheme. The options granted to each of the grantees under the Share Option Scheme shall be vested and become exercisable upon the first or second anniversary of the date of grant (i.e. 13 September 2016 or 13 September 2017). Vested options shall be exercisable until the expiry of the five-year period from the date of grant (i.e. until 12 September 2021). Grantees of such options are entitled to exercise the options at an exercise price of HK\$0.62 per Share. For more details, please refer to the announcement of the Company dated 13 September 2016.

### Remaining life of the Share Option Scheme

The Share Option Scheme will expire on 26 May 2024 and no further share options may be granted but the provisions of the Share Option Scheme shall in all other respects remain in force and effect necessary to give effect to the exercise of any share options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

Particulars of the outstanding options granted under the Share Option Scheme are set out below:

Name or category of participants	No. of Shares involved in the options outstanding as at 1 January 2019	Granted during the Period	Exercised during the Period	Forfeited during the Period	No. of Shares involved in the options outstanding as at 30 June 2019
<b>Directors</b>					
Wu Min	1,965,000	—	—	—	1,965,000
Zhang Changsong	1,572,000	—	—	—	1,572,000
Zhuo You	791,000	—	—	—	791,000
Zhang Cheng	791,000	—	—	—	791,000
Zhang Shu	491,000	—	—	—	491,000
Zhang Huaqiao	982,000	—	—	—	982,000
Feng Ke	982,000	—	—	—	982,000
Tse Yat Hong	1,582,000	—	—	—	1,582,000
Subtotal	9,156,000	—	—	—	9,156,000
<b>Employees</b>					
Employees	18,082,000	—	—	—	18,082,000
<b>Total</b>	<b>27,238,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>27,238,000</b>

## OTHER INFORMATION (Continued)

Notes:

1. The closing price of the Shares preceding the date on which the share options were granted was HK\$0.59.
2. The vesting of all share options granted to the eligible persons is conditional upon the achievement of certain performance targets by the relevant individual grantees and/or the Group as set out in their respective offer letters.
3. On 16 June 2014, the Company granted 50,000 thousand share options to directors and selected employees with an exercise price of HK\$1.4 as incentives or rewards for their contribution or potential contribution to the Group.

In 2015, the Group did not achieve the target profit, thus the share option plan was forfeited and the accumulated expense as at the end of 2015 was reversed.

The weighted average fair value of options are determined by Black-Scholes model. Such value is subject to a number of assumptions and with regard to the limitation of the model.

## CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has complied with the principles and code provisions set out in the CG Code during the six months ended 30 June 2019, except for Code Provision A.2.1 which requires that the role of chairman and chief executive officer should be separate and should not be performed by the same person. Given that Mr. WU Min assumes the roles of both chairman and chief executive officer, the Company deviates from this code provision. The Board considers that this management structure is effective in terms of the formulation and implementation of the Company's strategies and the Company's operations. Notwithstanding the deviation, the Board is of the view that it is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its shareholders. The Board will review the management structure from time to time and the need to separate the roles of the chairman of the Board and the chief executive officer to two individuals.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company.

Specific enquiry has been made of all Directors, and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2019.

The Company has also adopted the Model Code as written guidelines (the "Employees Written Guidelines") for securities transactions by the relevant employees who are likely to be in possession of inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the six months ended 30 June 2019.



## OTHER INFORMATION (Continued)

### CHANGE IN DIRECTORS' INFORMATION

Under Rule 13.51B(1) of the Listing Rules, the appointment and resignation of Directors and changes in the Directors' information required to be disclosed in this report as follows:

Mr. ZHANG Huaqiao, an independent non-executive Director of the Company, has ceased to be an independent non-executive director of China Rapid Finance Ltd. (the shares of which are listed on the New York Stock Exchange, stock code: XRF) since 28 March 2019 and a non-executive director of Boer Power Holdings Limited (the shares of which are listed on the Stock Exchange, stock code: 1685) since 6 May 2019.

Mr. TSE Yat Hong, an independent non-executive Director of the Company, has ceased to be a chief financial officer of Shenzhen International Holdings Limited (the shares of which are listed on the Stock Exchange, stock code: 00152) since 31 May 2019.

### REVIEW OF INTERIM RESULTS

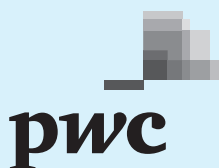
The audit committee of the Company (the "Audit Committee") consists of three Directors, namely, Mr. TSE Yat Hong, independent non-executive Director, Mr. FENG Ke, independent non-executive Director and Ms. ZHANG Shu, non-executive Director, and is chaired by Mr. TSE Yat Hong. Our Company has adopted written terms of reference of the Audit Committee, which set out clearly the constitution, authority, duties, powers and functions of the Audit Committee. Our Group's interim condensed consolidated results for the six months ended 30 June 2019 were reviewed by the members of the Audit Committee prior to the submission to the Board for approval.

The audit committee of the Company together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2019. In addition, the independent auditor of the Company has reviewed the unaudited interim financial information for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### DIVIDEND

The Board did not recommend an interim dividend for the six months ended 30 June 2019.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**To the Board of Directors of China Huirong Financial Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 75, which comprises the interim condensed consolidated statement of financial position of China Huirong Financial Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 23 August 2019

.....  
*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2019 Unaudited	2018 Unaudited
Interest income	7	153,083	127,947
Interest expense	8	(25,937)	(28,784)
<b>Net interest income</b>		<b>127,146</b>	99,163
Net investment gains/(losses)	9	14,164	(21,517)
Expected credit losses	10	(62,639)	(12,421)
Net gains on derecognition of financial assets measured at amortized cost	11	5,224	—
Other operating income	12	10,347	8,795
<b>Net other operating income</b>		<b>(32,904)</b>	(25,143)
General and administrative expenses	13	(36,563)	(35,693)
Other (losses)/gains, net	15	(4,114)	8,404
<b>Operating profit and profit before income tax</b>		<b>53,565</b>	46,731
Income tax expense	16	(14,357)	(15,041)
<b>Profit for the period</b>		<b>39,208</b>	31,690
Profit is attributable to:			
— Owners of the Company		31,141	25,339
— Non-controlling interests		8,067	6,351
<b>Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)</b>			
— Basic earnings per share	17	0.029	0.023
— Diluted earnings per share	17	0.028	0.023
<b>Other comprehensive income for the period, net of tax</b>		<b>—</b>	—
<b>Total comprehensive income for the period</b>		<b>39,208</b>	31,690
Total comprehensive income for the period attributable to:			
— Owners of the Company		31,141	25,339
— Non-controlling interests		8,067	6,351
		<b>39,208</b>	31,690

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2019 Unaudited	As at 31 December 2018 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,849	2,334
Right-of-use assets	20	9,233	N/A
Intangible assets	21	39,945	40,735
Deferred income tax assets	22	70,052	70,644
Investments accounted for using the equity method	19	25,314	1,500
Financial asset at fair value through profit or loss	25	440	440
<b>Total non-current assets</b>		<b>146,833</b>	115,653
<b>Current assets</b>			
Other current assets	23	121,881	116,999
Loans to customers	24	1,815,020	1,738,283
Financial assets at fair value through profit or loss	25	41,122	31,327
Derivative financial assets	26	5,510	—
Cash at bank and cash on hand	27	1,001,846	797,964
<b>Total current assets</b>		<b>2,985,379</b>	2,684,573
<b>Total assets</b>		<b>3,132,212</b>	2,800,226
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>			
Share capital	28	8,632	8,632
Share premium	29	601,993	601,993
Other reserves	29	596,266	596,266
Retained earnings		566,921	547,656
		<b>1,773,812</b>	1,754,547
<b>Non-controlling interests</b>		<b>137,941</b>	142,481
<b>Total equity</b>		<b>1,911,753</b>	1,897,028

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

	<i>Note</i>	<b>As at 30 June 2019 Unaudited</b>	As at 31 December 2018 Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		6,188	N/A
<b>Total non-current liabilities</b>		<b>6,188</b>	—
<b>Current liabilities</b>			
Other current liabilities	30	15,216	21,778
Current income tax liabilities		15,702	29,455
Amounts due to related parties	34(c)	120,209	633
Dividends payable		1,261	1,256
Borrowings	31	1,059,115	850,076
Lease liabilities		2,750	N/A
Deferred income tax liabilities	22	18	—
<b>Total current liabilities</b>		<b>1,214,271</b>	903,198
<b>Total liabilities</b>		<b>1,220,459</b>	903,198
<b>Total equity and liabilities</b>		<b>3,132,212</b>	2,800,226

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

These condensed consolidated financial statements have been approved and authorized for issue by the Board of Directors on 23 August 2019.

**Wu Min**  
*Executive Director*

**Zhang Changsong**  
*Executive Director*



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

Unaudited	Note	Attributable to the owners of the Company					Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings	Total		
<b>Balance at 1 January 2019</b>		8,632	601,993	596,266	547,656	1,754,547	142,481	1,897,028
Changes on initial application of HKFRS 16	4.1	—	—	—	540	540	(7)	533
<b>Restated balance at 1 January 2019</b>		8,632	601,993	596,266	548,196	1,755,087	142,474	1,897,561
Profit for the period		—	—	—	31,141	31,141	8,067	39,208
Other comprehensive income		—	—	—	—	—	—	—
<b>Total comprehensive income for the period</b>		—	—	—	31,141	31,141	8,067	39,208
<b>Transactions with owners in their capacity as owners</b>								
Employee share option — value of employee services	29(b)	—	—	—	—	—	—	—
Dividends provided for or paid	18	—	—	—	(12,416)	(12,416)	(12,600)	(25,016)
<b>Total transactions with owners in their capacity as owners</b>		—	—	—	(12,416)	(12,416)	(12,600)	(25,016)
<b>Balance at 30 June 2019</b>		8,632	601,993	596,266	566,921	1,773,812	137,941	1,911,753

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

Unaudited	Note	Attributable to the owners of the Company					Total	Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings				
<b>Balance at 1 January 2018</b>		8,632	601,993	594,066	505,247	1,709,938	144,027	1,853,965	
Changes on initial application of HKFRS 9		—	—	—	(6,891)	(6,891)	(3,657)	(10,548)	
<b>Restated balance at 1 January 2018</b>		8,632	601,993	594,066	498,356	1,703,047	140,370	1,843,417	
Profit for the period		—	—	—	25,339	25,339	6,351	31,690	
Other comprehensive income		—	—	—	—	—	—	—	
<b>Total comprehensive income for the period</b>		—	—	—	25,339	25,339	6,351	31,690	
<b>Transactions with owners in their capacity as owners</b>									
Non-controlling interest on acquisition of subsidiary		—	—	—	—	—	1,106	1,106	
Employee share option — value of employee services	29(b)	—	—	984	—	984	—	984	
Dividends provided for or paid	18	—	—	—	(11,696)	(11,696)	(10,800)	(22,496)	
<b>Total transactions with owners in their capacity as owners</b>		—	—	984	(11,696)	(10,712)	(9,694)	(20,406)	
<b>Balance at 30 June 2018</b>		8,632	601,993	595,050	511,999	1,717,674	137,027	1,854,701	

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2019 Unaudited	2018 Unaudited
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operating activities		(86,650)	236,820
Interest received from bank deposits		12,174	6,905
Interest paid		(30,551)	(37,609)
Income tax paid		(27,500)	(14,863)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(132,527)</b>	191,253
<b>Cash flows from investing activities</b>			
Payments for acquisition of subsidiaries, net of cash acquired		(490)	(1,542)
Payments for acquisition of associates	19	(24,955)	(1,500)
Payments for property, plant and equipment		(348)	(336)
Payments for intangible assets	21	—	(36,460)
<b>Net cash outflow from investing activities</b>		<b>(25,793)</b>	(39,838)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,251,343	820,718
Repayments of borrowings		(1,041,540)	(1,071,459)
Repayments of lease liabilities		(2,438)	N/A
Dividends paid to owners of the Company		(12,416)	(10,786)
Dividends paid to non-controlling interests		(12,600)	(10,800)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>182,349</b>	(272,327)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		133,736	257,917
Effects of exchange rate changes on cash and cash equivalents		266	76
<b>Cash and cash equivalents at end of the period</b>	27	<b>158,031</b>	137,081

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 1 GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the “Company”) was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law (2010 revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands.

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in lending services through granting collateral-backed loans, guaranteed loans and unsecured loans to customers in the People’s Republic of China (the “PRC”).

In preparation for the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group undertook a reorganization (the “Reorganization”) to restructure Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司) (“Wuzhong Pawnshop”) as a subsidiary of the Company. Wuzhong Pawnshop was operated and ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (the “Ultimate Shareholders”).

The Reorganization involved primarily the insertion of the Company and its other subsidiaries owned by the Ultimate Shareholders, who also owned Wuzhong Pawnshop, as holding companies of Wuzhong Pawnshop. Accordingly, the Reorganization is accounted for using the accounting principle which is similar to that of a reverse acquisition. Upon the restructuring, the financial statements of the Group have been prepared on a consolidated basis and are presented using the carrying values of the assets, liabilities and operating results of the companies comprising the Group including Wuzhong Pawnshop. The Company’s shares were listed on the Stock Exchange on 28 October 2013.

On 25 January 2019, the Group invested RMB24,955,000 to set up Lianqietong (Shanghai) Technology Company Limited (鏈且通(上海)科技有限公司) (“Lianqietong”) together with other parties, and obtained 55% of the equity interest of Lianqietong. Investment in Lianqietong is accounted for using the equity method of accounting (Note 19).

The interim condensed consolidated financial information are presented in thousands of Renminbi (RMB’000), unless otherwise stated.

This interim condensed consolidated financial information have been approved and authorized for issue by the board of directors (the “Board”) of the Company on 23 August 2019.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Group during the six months ended 30 June 2019.

The Group adopted the going concern basis in preparing its interim condensed consolidated financial information.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the consolidated financial statements for the year ended December 31, 2018 unless otherwise stated. The adoption of new and amended standards are listed in Note 3.1.

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

In the current period, the Group has applied the following standards and amendments to HKFRSs, which were applicable for the Group’s financial year beginning on 1 January 2019 and the relevant impact is set out below:

HKFRS 16	Leases
HKFRIC 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual improvements 2015–2017 cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint ventures

The impact of the adoption of HKFRS 16 and the related new accounting policies are disclosed in Note 4.1 below. Amendments other than HKFRS 16 are not expected to significantly affect the current or future periods.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Standards and amendments that have been issued but not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after January 1, 2016. The effective date has now been deferred/removed.
HKFRS 17	Insurance Contracts	1 January, 2022

The Group anticipates that the amendments above will not have a significant impact on the Group's consolidated statement of financial position.

## 4 CHANGE IN ACCOUNTING POLICIES

### 4.1 HKFRS 16

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening statement of financial position on 1 January 2019.

The Group has also changed its reporting of segment analysis with the establishment of four new business divisions in 2019.

#### 4.1.1 Adjustments recognized on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.6%.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 4 CHANGE IN ACCOUNTING POLICIES (Continued)

### 4.1 HKFRS 16 (Continued)

#### 4.1.1 Adjustments recognized on adoption of HKFRS 16 (Continued)

The leasing commitment for major operating leases disclosed for 2018 and the right-of-use assets recognized at the date of initial recognition are adjusted as follows:

Operating lease commitments disclosed as at 31 December 2018	9,967
Discounted using the lessee's incremental borrowing rate of at the date of initial application	8,922
Less: short-term leases recognized on a straight-line basis as expense	(17)
Add: adjustments as a result of a different treatment of extension and termination options	9,611
<b>Lease liability recognized as at 1 January 2019</b>	<b>18,516</b>
Of which are:	
Current lease liabilities	5,388
Non-current lease liabilities	13,128
	18,516

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 4 CHANGE IN ACCOUNTING POLICIES (Continued)

### 4.1 HKFRS 16 (Continued)

#### 4.1.1 Adjustments recognized on adoption of HKFRS 16 (Continued)

Content and reasons for changes in accounting policies	Affected items	Affected amount 1 January 2019
For the operating lease contracts that existed prior to the first adoption of the new lease criteria, the Group differentiated the different lease methods according to the remaining lease terms.	Right-of-use assets	19,143
	Lease liabilities	(18,516)
If the remaining lease term is longer than one year, the Group recognizes the lease liability and right-of-use assets based on the remaining lease payments and the incremental borrowing rate on 1 January 2019, and assumes that the new lease policy is adopted from the beginning of the lease period.	Deferred tax liabilities	(94)
	Retained earnings	(533)
If the remaining lease term is shorter than one year, the Group adopts a simplified method and does not recognize the right-of-use assets and lease liabilities, and has no significant impact on the financial statements.		

#### (i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 4 CHANGE IN ACCOUNTING POLICIES (Continued)

### 4.1 HKFRS 16 (Continued)

#### 4.1.2 The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 2 to 8 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### (i) Extension options

Extension options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. No lease payment made in 2019 were optional.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 4 CHANGE IN ACCOUNTING POLICIES (Continued)

### 4.2 Segment analysis

The Company's Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Board of Directors considers the business from both a geographic and product perspective. Geographically, the Group only provides lending services in the PRC and Hong Kong SAR. From product perspective, with the establishment of four new business divisions in 2019, the Group has started to manage its business under four operating and reportable segments for the six months ended 30 June 2019. Comparative segment analysis has been restate in accordance with the change.

#### (i) Business Segments

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

**Inclusive finance business division:** The inclusive finance business division mainly provides lending services in the PRC and Hong Kong. From a product perspective, the inclusive finance business division principally engaged in lending services through granting collateral-backed loans, guaranteed loans and unsecured loans to customers.

**Technology finance business division:** The technology finance business division is a new business division established in 2019. The division mainly dedicates to supply chain technology, loan facilitation technology and factoring technology services.

**Online lending intermediary business division:** The online lending intermediary business division mainly includes Suzhou Qian Dai, an internet finance platform to provide service as an intermedia agent between the borrowers and lenders and charges the borrowers with a consultancy fee.

**Insurance brokerage business division:** The insurance brokerage business division mainly includes Huifang Anda to engage in insurance agency business in Jiangsu Province, PRC.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 4 CHANGE IN ACCOUNTING POLICIES (Continued)

### 4.2 Segment analysis (Continued)

#### (ii) Segment analysis for the current period and the last period

Unaudited	For the six months ended 30 June 2019						Elimination	Total
	Inclusive finance business division	Technology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarter and others			
Interest income								
— external	133,419	2,585	9	1	17,069	—	153,083	
— internal	72	—	—	—	—	(72)	—	
Interest expense								
— external	(8,520)	(56)	(13)	—	(17,348)	—	(25,937)	
— internal	(2,304)	—	—	(7)	—	2,311	—	
<b>Net interest income/ (expense)</b>	<b>122,667</b>	<b>2,529</b>	<b>(4)</b>	<b>(6)</b>	<b>(279)</b>	<b>2,239</b>	<b>127,146</b>	
External net trading gains/ (losses)	5,287	(122)	124	—	(4,179)	—	1,110	
Net investment gains/ (losses)								
— external	—	(1,141)	—	—	15,305	—	14,164	
— internal	—	—	—	—	17,100	(17,100)	—	
Other operating income								
— external	562	—	6,957	690	2,138	—	10,347	
— internal	51	—	—	—	32,504	(32,555)	—	
<b>Operating income</b>	<b>128,567</b>	<b>1,266</b>	<b>7,077</b>	<b>684</b>	<b>62,589</b>	<b>(47,416)</b>	<b>152,767</b>	
Operating expenses								
— external	(11,408)	(2,287)	(4,916)	(916)	(17,036)	—	(36,563)	
— internal	(25,400)	—	—	329	(123)	25,194	—	
Expected credit losses	(61,925)	2,646	—	—	(3,360)	—	(62,639)	
<b>Profit before income tax</b>	<b>29,834</b>	<b>1,625</b>	<b>2,161</b>	<b>97</b>	<b>42,070</b>	<b>(22,222)</b>	<b>53,565</b>	
<b>Capital expenditure</b>	<b>185</b>	<b>58</b>	<b>—</b>	<b>11</b>	<b>94</b>	<b>—</b>	<b>348</b>	

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 4 CHANGE IN ACCOUNTING POLICIES (Continued)

### 4.2 Segment analysis (Continued)

#### (ii) Segment analysis for the current period and the last period (Continued)

Unaudited	As at 30 June 2019						Elimination	Total
	Inclusive finance business division	Technology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarter and others			
<b>Segment assets</b>	1,908,724	71,883	19,203	2,286	1,929,247	(799,131)	3,132,212	
<b>Segment liabilities</b>	282,407	710	2,039	362	936,316	(1,375)	1,220,459	

Unaudited	For the six months ended 30 June 2018						Elimination	Total
	Inclusive finance business division	Technology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarter and others			
Interest income								
— external	113,958	2,487	7	—	11,495	—	127,947	
Interest expense								
— external	(13,134)	—	—	—	(15,650)	—	(28,784)	
<b>Net interest income/(expense)</b>	100,824	2,487	7	—	(4,155)	—	99,163	
External net trading gains	50	—	20	—	8,334	—	8,404	
Net investment gains/(losses)								
— external	—	—	—	—	(21,517)	—	(21,517)	
— internal	—	—	—	—	16,200	(16,200)	—	
Other operating income								
— external	266	129	7,775	—	625	—	8,795	
— internal	1,098	—	1,097	—	28,400	(30,595)	—	
<b>Operating income</b>	102,238	2,616	8,899	—	27,887	(46,795)	94,845	
Operating expenses								
— external	(12,721)	(282)	(6,083)	(10)	(16,597)	—	(35,693)	
— internal	(28,814)	—	—	—	(1,783)	30,597	—	
Expected credit losses	(14,363)	1,102	—	—	840	—	(12,421)	
<b>Profit/(Loss) before income tax</b>	46,340	3,436	2,816	(10)	10,347	(16,198)	46,731	
<b>Capital expenditure</b>	406	—	46	—	36,344	—	36,796	

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 4 CHANGE IN ACCOUNTING POLICIES (Continued)

### 4.2 Segment analysis (Continued)

#### (ii) Segment analysis for the current period and the last period (Continued)

Audited	As at 31 December 2018					Elimination	Total
	Inclusive finance business division	Technology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarter and others		
<b>Segment assets</b>	1,917,857	56,580	18,327	3,272	3,037,323	(2,233,133)	2,800,226
<b>Segment liabilities</b>	280,899	814	2,758	1,434	1,354,540	(737,247)	903,198

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

## 6 FINANCIAL RISK MANAGEMENT

### 6.1 Financial risk factors

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

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

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

The most important types of financial risk are credit risk, market risk and liquidity risk. Market risk primarily includes interest rate risk, foreign exchange risk and security price risk.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 6 FINANCIAL RISK MANAGEMENT (Continued)

### 6.1 Financial risk factors (Continued)

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the years ended 31 December 2018.

There have been no changes in the risk management policies since 31 December 2018.

#### (a) Credit risk

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

The inputs, assumptions and estimation techniques used in measuring the ECL allowances and the forward-looking information incorporated in the ECL models are consistent with those adopted in 2018.

#### (i) Credit risk exposure

##### a. *Maximum exposure to credit risk — Financial instruments subject to impairment*

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 6 FINANCIAL RISK MANAGEMENT (Continued)

### 6.1 Financial risk factors (Continued)

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

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

##### a. Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

Unaudited	As at 30 June 2019			Total
	Stage 1 12-month ECL	ECL staging Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loans to customers</b>				
Secured loans to customers (a)	371,676	18,488	783,752	1,173,916
Unsecured loans to customers (b)	790,848	12,693	232,478	1,036,019
<b>Gross carrying amount</b>	<b>1,162,524</b>	<b>31,181</b>	<b>1,016,230</b>	<b>2,209,935</b>
Loss allowances	(27,476)	(4,913)	(362,526)	(394,915)
<b>Carrying amount</b>	<b>1,135,048</b>	<b>26,268</b>	<b>653,704</b>	<b>1,815,020</b>
<b>Term deposits with banks</b>				
<b>Credit grade</b>				
AAA	843,150	–	–	843,150
AA+	–	–	–	–
A	953	–	–	953
<b>Gross carrying amount</b>	<b>844,103</b>	<b>–</b>	<b>–</b>	<b>844,103</b>
Loss allowances	(288)	–	–	(288)
<b>Carrying amount</b>	<b>843,815</b>	<b>–</b>	<b>–</b>	<b>843,815</b>
<b>Other current assets (excluding repossessed assets)</b>				
<b>Gross carrying amount</b>	<b>99,737</b>	<b>–</b>	<b>–</b>	<b>99,737</b>
Loss allowances	(1,381)	–	–	(1,381)
<b>Carrying amount</b>	<b>98,356</b>	<b>–</b>	<b>–</b>	<b>98,356</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 6 FINANCIAL RISK MANAGEMENT (Continued)

### 6.1 Financial risk factors (Continued)

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

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

##### a. Maximum exposure to credit risk — Financial instruments subject to impairment (Continued)

Audited	As at 31 December 2018			Total
	Stage 1 12-month ECL	ECL staging Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loans to customers</b>				
Secured loans to customers (a)	425,994	9,537	841,624	1,277,155
Unsecured loans to customers (b)	596,490	—	196,239	792,729
<b>Gross carrying amount</b>	1,022,484	9,537	1,037,863	2,069,884
Loss allowances	(32,328)	(1,669)	(297,604)	(331,601)
<b>Carrying amount</b>	990,156	7,868	740,259	1,738,283
<b>Term deposits with banks</b>				
<b>Credit grade</b>				
AAA	663,439	—	—	663,439
AA+	—	—	—	—
A	953	—	—	953
<b>Gross carrying amount</b>	664,392	—	—	664,392
Loss allowances	(164)	—	—	(164)
<b>Carrying amount</b>	664,228	—	—	664,228
<b>Other current assets (excluding repossessed assets)</b>				
<b>Gross carrying amount</b>	101,455	—	—	101,455
Loss allowances	(2,352)	—	—	(2,352)
<b>Carrying amount</b>	99,103	—	—	99,103

(a) Secured loans to customers comprise real estate backed loans and personal property backed loans.

(b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and unsecured loans.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 6 FINANCIAL RISK MANAGEMENT (Continued)

### 6.1 Financial risk factors (Continued)

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

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

###### b. Maximum exposure to credit risk — Financial instruments not subject to impairment

As at 30 June 2019, the maximum credit risk exposure from financial assets not subject to impairment of the Group is from financial assets at fair value through profit or loss (31 December 2018: same) (Note 25).

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

The Group maintains a comprehensive client base. Loans receivable from the top five customers accounted for 28.6% of the total loans to customers as at 30 June 2019 (31 December 2018: 30.4%). Interest income from the top five customers accounted for 27.4% of total interest income for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 20.3%).

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

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for loans granted. The Group's internal policies on the acceptability of specific classes of collateral or credit risk mitigation are consistent with those adopted in 2018.

###### a. Fair Value of collateral of credit-impaired loans

As at 30 June 2019, the gross amount of secured loans that are credit-impaired and the fair value of collateral held in order to mitigate potential credit losses are shown below:

Unaudited	Real estate backed loans
<b>30 June 2019</b>	
Gross exposure	783,752
Less: ECL allowances	(201,282)
Carrying amount	582,470
Fair Value of collateral held	1,140,867

### 6.2 Fair value measurement of financial instruments

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

#### (a) Fair value hierarchy

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 6 FINANCIAL RISK MANAGEMENT (Continued)

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

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

The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value at 30 June 2019 and 31 December 2018 on a recurring basis:

Unaudited	Level 1	Level 2	Level 3	Total
<b>As at 30 June 2019</b>				
Financial assets at fair value through profit or loss				
— Equity Investments	—	41,562	—	41,562
Derivative financial assets				
— Forward contracts	—	5,510	—	5,510
Audited	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2018</b>				
Financial assets designated at fair value through profit or loss				
— Equity Investments	—	31,767	—	31,767

There were neither transfers between Levels 1 and 2 nor transfer between Levels 2 and 3 during the period.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

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

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

The fair value of Level 2 equity instruments is based on the quoted market price considering the liquidity discount rate for the stock lockup period as at 30 June 2019 and 31 December 2018.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 7 INTEREST INCOME

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Interest income from loans to customers		
Secured loans to customers	83,374	56,963
Unsecured loans to customers	58,635	63,067
Interest income from bank deposits	11,074	7,917
	<b>153,083</b>	127,947

## 8 INTEREST EXPENSE

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Interest expense on bank borrowings	23,124	22,227
Interest expense on micro-finance company borrowings	2,458	2,757
Interest expense on lease liabilities	355	N/A
Other interest expenses	—	3,800
	<b>25,937</b>	28,784

## 9 NET INVESTMENT GAINS/(LOSSES)

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Fair value gains/(losses) — listed equity securities (Note 25)	9,795	(21,517)
Fair value gains — derivative financial assets	5,510	—
Share of net loss of associates for using the equity method (Note 19)	(1,141)	—
	<b>14,164</b>	(21,517)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 10 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Expected credit losses on loans to customers (Note 24(b))	63,486	12,304
Expected credit losses on term deposit with banks (Note 27)	124	31
Expected credit losses on other current assets (Note 23)	(971)	86
	62,639	12,421

## 11 NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

Net gains on derecognition of financial assets measured at amortized cost is the difference between the carrying amount of the loans to customers sold to third parties and the consideration received.

## 12 OTHER OPERATING INCOME

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Consultancy fee income (a)	8,854	8,284
Net gains from disposal of repossessed assets	507	258
Insurance intermediary fee	690	—
Others	296	253
	10,347	8,795

(a) In February 2015, the Group established Suzhou Qian Dai, an internet finance platform providing service to borrowers as an intermedia agent between the borrowers and lenders, which charges the borrowers with a consultancy fee. The Group charged fixed consultancy fees at rates ranging from 1.5% to 13.6% per annum to the borrowers for the six months ended 30 June 2019 (2018: from 1.5% to 13.6%).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 13 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Employee benefit expenses (Note 14)	20,874	18,795
Depreciation and amortization	4,045	971
Professional and consultancy fees	2,854	3,138
Telephone, utilities and office expenses	2,339	1,661
Transportation, meal and accommodation	2,130	2,343
Value-added tax surcharges	942	1,792
Operating lease payments	789	2,892
Auditors' remuneration	600	600
Advertising costs	381	1,996
Commission fee	100	133
Other expenses	1,509	1,372
	<b>36,563</b>	<b>35,693</b>

## 14 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Wages and salaries	7,832	7,318
Discretionary bonuses	9,054	7,053
Other social security obligations	2,887	2,436
Pension	1,101	1,004
Share-based payments (Note 29(b))	—	984
	<b>20,874</b>	<b>18,795</b>

## 15 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Net foreign currency (losses)/gains	(4,472)	8,184
Government grants	200	200
Other	158	20
	<b>(4,114)</b>	<b>8,404</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 16 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Current income tax	13,841	13,841
Deferred income tax	516	1,200
	<b>14,357</b>	15,041

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

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Profit before income tax	53,565	46,731
Tax calculated at tax rates applicable to profits in the respective area	13,717	12,199
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
— Investment income from partnership attributable to non-controlling interests	(1,496)	(102)
— Entertainment	263	288
— Sundry items	5	127
Subtotal	12,489	12,512
Unused tax losses for which no deferred tax asset has been recognized	1,102	671
Reversal of previously recognized deferred tax assets	—	127
Adjustment in respect of prior years	766	1,731
Tax charge	<b>14,357</b>	15,041

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

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

For the six months ended 30 June 2019, the applicable Hong Kong profits tax rate is 8.25% on assessable profits up to HKD\$2,000,000; and 16.5% on any part of assessable profits over HKD\$2,000,000 (2018: same).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 16 INCOME TAX EXPENSE (Continued)

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

For small and micro enterprises whose annual taxable income less than RMB1 million (including RMB1 million), the income tax provision is calculated at the applicable corporate tax rate of 20% on 25% of the estimated assessable profits, and for whose annual taxable income more than RMB1 million but less than RMB3 million (including RMB3 million), the income tax provision is calculated at the applicable corporate tax rate of 20% on 50% of the estimated assessable profits based on existing legislations, interpretations and practices.

## 17 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Profit attributable to owners of the Company (RMB'000)	31,141	25,339
Weighted average number of ordinary shares in issue (in thousands)	1,086,787	1,086,787
Basic earnings per share (RMB Yuan)	0.029	0.023

All profit attributable to owners of the Company is from continuing operations.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 17 EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Profit attributable to owners of the Company (RMB'000)	31,141	25,339
Weighted average number of ordinary shares in issue (in thousands)	1,086,787	1,086,787
Adjustments for:		
– Share options (in thousands)	10,333	13,306
	1,097,120	1,100,093
Dilutive earnings per share (RMB Yuan)	0.028	0.023

All profit attributable to owners of the Company is from continuing operations.

## 18 DIVIDENDS

A dividend of HK\$0.0130 per ordinary share in respect of the year ended 31 December 2018 was declared at the annual general meeting (“AGM”) of the Group held on 28 May 2019. It is determined that such dividend shall be paid out of the returned earnings account. Based on the total number of ordinary shares of 1,086,787 thousand outstanding on 31 December 2018, a total dividend of HK\$14.1 million (equivalent to RMB12.4 million) was paid out by the company on 24 June 2019 (for the six months ended 30 June 2018: Based on the total number of ordinary shares of 1,086,787 thousand outstanding on 31 December 2017, a total dividend of HK\$14.3 million (equivalent to RMB12.0 million) was paid out by the company on 27 June 2018).

## 19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### (a) Summary of acquisition

On 4 June 2018, the Group acquired 7.5% of the equity interests in Shenzhen Zuanying, for a cash consideration of RMB1,500,000.

On 25 January 2019, the Group invested RMB24,955,000 to set up Lianqietong (Shanghai) Technology Company Limited (鏈且通(上海)科技有限公司) (“Lianqietong”) together with other two parties and obtained 55% of the equity interest of Lianqietong.

According to the Articles of Association, resolutions on the shareholders’ meeting will only be passed with 75% or more equity shares’ approval, and one of the shareholders other than the Group has veto power. Therefore, the Group does not control Lianqietong but has significant influence over it, and investment in Lianqietong is accounted for using the equity method of accounting.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

### (a) Summary of acquisition (Continued)

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2019:

Unaudited	As at 30 June 2019
Beginning of the period	1,500
Additions	24,955
Profit/(loss) for the period	(1,141)
Dividends paid	—
<b>End of the period</b>	<b>25,314</b>

## 20 RIGHT-OF-USE ASSETS

	Properties leases
<b>Cost</b>	
At 1 January 2019	29,943
Additions	206
Less	(12,912)
At 30 June 2019	17,237
<b>Accumulated depreciation</b>	
At 1 January 2019	(10,800)
Additions	(2,322)
Less	5,118
At 30 June 2019	(8,004)
<b>Net book amount</b>	
At 30 June 2019	9,233
At 1 January 2019	19,143

For short-term leases, the Group chooses not to recognize the right-of-use assets and lease liabilities.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 21 INTANGIBLE ASSETS

Unaudited	Land usage right	Software	Licenses	Patents, trademarks and other rights	Total
<b>At 31 December 2018</b>					
Cost	37,235	1,904	3,294	—	42,433
Accumulated amortization and impairment	(753)	(561)	(384)	—	(1,698)
<b>Net book amount</b>	<b>36,482</b>	<b>1,343</b>	<b>2,910</b>	<b>—</b>	<b>40,735</b>
<b>Six months ended 30 June 2019</b>					
Opening net book amount	<b>36,482</b>	<b>1,343</b>	<b>2,910</b>	—	<b>40,735</b>
Additions	—	—	—	100	100
Amortization charge	(465)	(95)	(330)	—	(890)
Closing net book amount	<b>36,017</b>	<b>1,248</b>	<b>2,580</b>	<b>100</b>	<b>39,945</b>
<b>At 30 June 2019</b>					
Cost	<b>37,235</b>	<b>1,904</b>	<b>3,294</b>	100	<b>42,533</b>
Accumulated amortization and impairment	<b>(1,218)</b>	<b>(656)</b>	<b>(714)</b>	—	<b>(2,588)</b>
<b>Net book amount</b>	<b>36,017</b>	<b>1,248</b>	<b>2,580</b>	<b>100</b>	<b>39,945</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 22 DEFERRED INCOME TAX

### (i) Deferred tax assets

	30 June 2019 Unaudited	31 December 2018 Audited
<b>The balance comprises temporary differences attributable to:</b>		
ECL allowances impairment charge on financial assets	63,849	60,248
Net loss from financial instruments at fair value through profit or loss	3,342	7,168
Recoverable tax losses	1,964	2,192
Share-based payment expense	1,036	1,036
Lease liabilities	2,667	N/A
Total deferred tax assets	72,858	70,644
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,806)	—
Net deferred tax assets	70,052	70,644

### (ii) Deferred tax liabilities

	30 June 2019 Unaudited	31 December 2018 Audited
<b>The balance comprises temporary differences attributable to:</b>		
Right-of-use assets	2,685	N/A
Other	139	—
Total deferred tax liabilities	2,824	—
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,806)	—
Net deferred tax liabilities	18	—

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 22 DEFERRED INCOME TAX (Continued)

### (iii) Movement in deferred tax assets and liabilities

The movement in deferred income tax assets and liabilities for the six months ended 30 June 2019 and the six months ended 30 June 2018, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred tax assets Unaudited	ECL allowances charge on financial assets	Lease liabilities	Net loss from financial instruments at fair value through profit or loss	Recoverable tax losses	Share-based payments	Total
<b>At 1 January 2018</b>	60,382	N/A	2,260	9,184	736	72,562
Changes on initial application of HKFRS 9	3,517	N/A	—	—	—	3,517
<b>Restated balance at 1 January 2018</b>	63,899	N/A	2,260	9,184	736	76,079
(Charged)/credited to the consolidated statement of comprehensive income	(3,171)	N/A	5,379	(3,512)	103	(1,201)
<b>At 30 June 2018</b>	60,728	N/A	7,639	5,672	839	74,878
<b>At 1 January 2019</b>	<b>60,248</b>	<b>N/A</b>	<b>7,168</b>	<b>2,192</b>	<b>1,036</b>	<b>70,644</b>
Changes on initial application of HKFRS 16	—	<b>4,267</b>	—	—	—	<b>4,267</b>
<b>Restated balance at 1 January 2019</b>	<b>60,248</b>	<b>4,267</b>	<b>7,168</b>	<b>2,192</b>	<b>1,036</b>	<b>74,911</b>
(Charged)/credited to the consolidated statement of comprehensive income	<b>3,601</b>	<b>(1,600)</b>	<b>(3,826)</b>	<b>(228)</b>	—	<b>(2,053)</b>
<b>At 30 June 2019</b>	<b>63,849</b>	<b>2,667</b>	<b>3,342</b>	<b>1,964</b>	<b>1,036</b>	<b>72,858</b>

As at 30 June 2019, it is estimated that deferred income tax assets will be reversed over one year (31 December 2018: same).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 22 DEFERRED INCOME TAX (Continued)

### (iii) Movement in deferred tax assets and liabilities (Continued)

Deferred tax liabilities	Right-of-use assets	Other	Total
<b>At 30 June 2018</b>	N/A	—	—
<b>At 1 January 2019</b>	N/A	—	—
Changes on initial application of HKFRS 16	4,361	—	4,361
<b>Restated balance at 1 January 2019</b>	4,361	—	4,361
(Charged)/credited to the consolidated statement of comprehensive income	(1,676)	139	(1,537)
<b>At 30 June 2019</b>	2,685	139	2,824

## 23 OTHER CURRENT ASSETS

	<b>30 June 2019</b> Unaudited	31 December 2018 Audited
Interest receivable from bank deposits	7,365	12,174
Reposessed assets	23,525	17,896
Receivable from disposal of loans to customers, net	78,709	74,107
<i>Receivable from disposal of loans to customers, gross</i>	78,716	75,334
<i>Less: ECL allowances</i>	(7)	(1,227)
Other receivables, net	12,282	12,822
<i>Other receivables, gross</i>	13,656	13,947
<i>Less: ECL allowances</i>	(1,374)	(1,125)
	<b>121,881</b>	116,999

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 24 LOANS TO CUSTOMERS

	<b>30 June 2019 Unaudited</b>	31 December 2018 Audited
Loans to customers, gross		
Secured	<b>1,173,916</b>	1,277,155
Unsecured	<b>1,036,019</b>	792,729
	<b>2,209,935</b>	2,069,884
Less: ECL allowances	<b>(394,915)</b>	(331,601)
Loans to customers, net	<b>1,815,020</b>	1,738,283

Loans to customers arise from the Group's lending services. The terms of loans granted are within one year. The real estate backed loans and equity interest backed loans granted to customers bear fixed interest rates ranging from 12.00% to 25.00% per annum during the six months ended 30 June 2019 (2018: from 12.00% to 25.00%).

Guaranteed loans granted to customers bear fixed interest rates from 10.00% to 36.00% per annum during the six months ended 30 June 2019 (2018: from 6.00% to 25.20%).

Unsecured loans granted to customers bear fixed interest rates from 11.00% to 18.00% per annum during the six months ended 30 June 2019 (2018: from 10.00% to 18.00%).

Loans to customers are denominated in RMB and HKD.

As at 30 June 2019, renewed loans amounted to RMB156.8 million (31 December 2018: RMB170.2 million), which are all real estate backed loans (31 December 2018: same). No renewed loans had substantially modified their original contractual terms for the six months ended 30 June 2019 (2018: same).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 24 LOANS TO CUSTOMERS (Continued)

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

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

Unaudited	As at 30 June 2019		Total
	Secured loans to customers	Unsecured loans to customers	
Within 3 months	172,790	262,167	434,957
3–6 months	66,434	337,780	404,214
6–12 months	126,444	151,425	277,869
Past due (i)	599,575	98,405	697,980
	965,243	849,777	1,815,020

Audited	As at 31 December 2018		Total
	Secured loans to customers	Unsecured loans to customers	
Within 3 months	141,619	300,041	441,660
3–6 months	120,439	177,711	298,150
6–12 months	148,417	91,343	239,760
Past due (i)	701,072	57,641	758,713
	1,111,547	626,736	1,738,283

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

Unaudited	As at 30 June 2019		Total
	Secured loans to customers	Unsecured loans to customers	
Past due within 30 days	3,180	16,025	19,205
Past due between 30 days and 90 days	13,925	11,146	25,071
Past due over 90 days	582,470	71,234	653,704
	599,575	98,405	697,980

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 24 LOANS TO CUSTOMERS (Continued)

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

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

Audited	As at 31 December 2018		Total
	Secured loans to customers	Unsecured loans to customers	
Past due within 30 days	8,479	2,107	10,586
Past due between 30 days and 90 days	7,868	—	7,868
Past due over 90 days	684,725	55,534	740,259
	701,072	57,641	758,713

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

The following tables explain the changes in loss allowances between the beginning of and the end of the period due to these factors:

Unaudited	Six months ended 30 June 2019			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Loss allowances as at 1 January 2019</b>	<b>7,041</b>	<b>1,669</b>	<b>156,898</b>	<b>165,608</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<i>(775)</i>	<i>7,152</i>	<i>—</i>	<i>6,377</i>
<i>Transfers from Stage 2 to Stage 3</i>	<i>—</i>	<i>(2,651)</i>	<i>4,257</i>	<i>1,606</i>
New loans to customers originated	3,880	—	—	3,880
Changes in PDs/LGDs/EADs	—	—	48,094	48,094
Unwind of discount	—	—	6,217	6,217
Loans to customers derecognized during the period other than write-offs	(6,120)	(2,805)	(14,184)	(23,109)
<b>Loss allowances as at 30 June 2019</b>	<b>4,026</b>	<b>3,365</b>	<b>201,282</b>	<b>208,673</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 24 LOANS TO CUSTOMERS (Continued)

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

Unsecured loans to customers	Six months ended 30 June 2019			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Unaudited				
<b>Loss allowances as at 1 January 2019</b>	<b>25,287</b>	<b>—</b>	<b>140,706</b>	<b>165,993</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<i>(906)</i>	<i>6,781</i>	<i>—</i>	<i>5,875</i>
<i>Transfers from Stage 2 to Stage 3</i>	<i>—</i>	<i>(5,233)</i>	<i>5,233</i>	<i>—</i>
New loans to customers originated	<b>118,715</b>	<b>—</b>	<b>—</b>	<b>118,715</b>
Changes in PDs/LGDs/EADs	<b>—</b>	<b>—</b>	<b>9,731</b>	<b>9,731</b>
Unwind of discount	<b>—</b>	<b>—</b>	<b>10,001</b>	<b>10,001</b>
Loans to customers derecognized during the period other than write-offs	<b>(119,646)</b>	<b>—</b>	<b>(4,427)</b>	<b>(124,073)</b>
<b>Loss allowances as at 30 June 2019</b>	<b>23,450</b>	<b>1,548</b>	<b>161,244</b>	<b>186,242</b>
Secured loans to customers	Year ended 31 December 2018			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Audited				
<b>Loss allowances as at 1 January 2018</b>	<b>3,931</b>	<b>79</b>	<b>74,834</b>	<b>78,844</b>
Changes on initial application of HKFRS 9	<b>2,913</b>	<b>504</b>	<b>—</b>	<b>3,417</b>
<b>Restated loss allowances as at 1 January 2018</b>	<b>6,844</b>	<b>583</b>	<b>74,834</b>	<b>82,261</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<i>(3,542)</i>	<i>11,602</i>	<i>—</i>	<i>8,060</i>
<i>Transfers from Stage 2 to Stage 3</i>	<i>—</i>	<i>(8,409)</i>	<i>40,370</i>	<i>31,961</i>
New loans to customers originated	<b>11,608</b>	<b>—</b>	<b>—</b>	<b>11,608</b>
Changes in PDs/LGDs/EADs	<b>—</b>	<b>—</b>	<b>70,466</b>	<b>70,466</b>
Unwind of discount	<b>—</b>	<b>—</b>	<b>5,373</b>	<b>5,373</b>
Loans to customers derecognized during the year other than write-offs	<b>(7,869)</b>	<b>(2,107)</b>	<b>(36,970)</b>	<b>(46,946)</b>
Write-offs	<b>—</b>	<b>—</b>	<b>(1,314)</b>	<b>(1,314)</b>
Recovery of the loans written-off in previous years	<b>—</b>	<b>—</b>	<b>4,139</b>	<b>4,139</b>
<b>Loss allowances as at 31 December 2018</b>	<b>7,041</b>	<b>1,669</b>	<b>156,898</b>	<b>165,608</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 24 LOANS TO CUSTOMERS (Continued)

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

Unsecured loans to customers	Year ended 31 December 2018			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Audited				
<b>Loss allowances as at 1 January 2018</b>	14,847	—	115,550	130,397
Changes on initial application of HKFRS 9	10,475	—	—	10,475
<b>Restated loss allowances as at 1 January 2018</b>	25,322	—	115,550	140,872
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(951)	8,706	—	7,755
<i>Transfers from Stage 2 to Stage 3</i>	—	(1,133)	2,094	961
New loans to customers originated	206,139	—	—	206,139
Changes in PDs/LGDs/EADs	—	—	28,313	28,313
Unwind of discount	—	—	21,069	21,069
Loans to customers derecognized during the year other than write-offs	(205,223)	(7,573)	(27,537)	(240,333)
Write-offs	—	—	(1,360)	(1,360)
Recovery of the loans written-off in previous years	—	—	2,577	2,577
<b>Loss allowances as at 31 December 2018</b>	25,287	—	140,706	165,993

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 24 LOANS TO CUSTOMERS (Continued)

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

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

Secured loans to customers	Six months ended 30 June 2019			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Unaudited				
<b>Gross carrying amount as at 1 January 2019</b>	425,994	9,537	841,624	1,277,155
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(43,590)	43,590	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(28,500)	28,500	—
Loans to customers derecognized during the period other than write-offs	(312,985)	(6,490)	(101,179)	(420,654)
New loans to customers originated	302,617	—	—	302,617
Changes in interest accrual	(360)	351	14,807	14,798
<b>Gross carrying amount as at 30 June 2019</b>	371,676	18,488	783,752	1,173,916
<b>Unsecured loans to customers</b>	<b>Six months ended 30 June 2019</b>			
	<b>Stage 1 12-month ECLs</b>	<b>Stage 2 Lifetime ECLs</b>	<b>Stage 3 Lifetime ECLs</b>	
Unaudited				
<b>Gross carrying amount as at 1 January 2019</b>	596,490	—	196,239	792,729
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(46,495)	46,495	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(8,199)	8,199	—
Loans to customers derecognized during the period other than write-offs	(1,949,483)	(28,480)	(6,152)	(1,984,115)
New loans to customers originated	2,184,382	—	—	2,184,382
Changes in interest accrual	6,100	2,877	34,192	43,169
FX and other movements	(146)	—	—	(146)
<b>Gross carrying amount as at 30 June 2019</b>	790,848	12,693	232,478	1,036,019

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 24 LOANS TO CUSTOMERS (Continued)

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

Secured loans to customers	Year ended 31 December 2018			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Audited				
<b>Gross carrying amount as at 1 January 2018</b>	344,838	6,115	860,134	1,211,087
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(123,505)	123,505	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(93,434)	93,434	—
Loans to customers derecognized during the year other than write-offs	(425,832)	(26,649)	(188,509)	(640,990)
New loans to customers originated	629,324	—	—	629,324
Changes in interest accrual	1,169	—	77,879	79,048
Write-offs	—	—	(1,314)	(1,314)
<b>Gross carrying amount as at 31 December 2018</b>	425,994	9,537	841,624	1,277,155
<b>Unsecured loans to customers</b>	<b>Year ended 31 December 2018</b>			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Audited				
<b>Gross carrying amount as at 1 January 2018</b>	717,314	—	226,492	943,806
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(93,108)	93,108	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(11,568)	11,568	—
Loans to customers derecognized during the year other than write-offs	(4,299,402)	(81,540)	(71,383)	(4,452,325)
New loans to customers originated	4,264,586	—	—	4,264,586
Changes in interest accrual	7,100	—	30,922	38,022
Write-offs	—	—	(1,360)	(1,360)
<b>Gross carrying amount as at 31 December 2018</b>	596,490	—	196,239	792,729

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 Unaudited	31 December 2018 Audited
<b>Non-current assets</b>		
Equity securities at fair value through profit or loss	440	440
<b>Current assets</b>		
PRC Listed equity securities	41,122	31,327
	<b>41,562</b>	31,767

Changes in fair value of the above equity investments are recorded in "Net investment gains/(losses)" in the interim condensed consolidated statement of comprehensive income (Note 9).

Listed equity securities with fair value of RMB41.1 million (31 December 2018: RMB31.3 million) have been pledged with a securities company to secure borrowings with principal amount of RMB15.5 million (31 December 2018: RMB15.5 million) from the securities company (Note 31 (c)).

## 26 DERIVATIVE FINANCIAL ASSETS

In 2019, the Group entered six foreign exchange forward contracts with Bank of Jiangsu. According to the contracts, the Group could purchase 25.6 million USD with RMB from Bank of Jiangsu during the period between February 2020 and April 2020 with the exchange rates ranging from 6.7093 to 6.7482. All settlement dates are within one year. The fair value of the contracts as at 30 June 2019 was RMB5.5 million (31 December 2018: Nil).

## 27 CASH AT BANK AND CASH ON HAND

	30 June 2019 Unaudited	31 December 2018 Audited
Cash on hand	1,093	1,444
Demand deposits with banks	156,938	132,292
Term deposits with banks with original maturities over 3 months, net	843,815	664,228
<i>Term deposits with banks with original maturities over 3 months, gross</i>	<b>844,103</b>	664,392
<i>Less: ECL allowances</i>	<b>(288)</b>	(164)
	<b>1,001,846</b>	797,964

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 27 CASH AT BANK AND CASH ON HAND (Continued)

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

	<b>30 June 2019 Unaudited</b>	31 December 2018 Audited
RMB	<b>636,047</b>	200,858
US dollar	<b>357,882</b>	587,437
Hong Kong dollar	<b>7,917</b>	9,833
	<b>1,001,846</b>	798,128

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

	<b>30 June 2019 Unaudited</b>	31 December 2018 Audited
Cash at bank and on hand	<b>1,001,846</b>	797,964
Less: Unrestricted term deposits with banks with original maturities over 3 months	<b>(300)</b>	(126)
Restricted term deposits pledged with banks with original maturities over 3 months	<b>(843,515)</b>	(664,102)
	<b>158,031</b>	133,736

As at 30 June 2019, restricted term deposits of US\$49.8 million (31 December 2018: US\$85.2 million), which is equivalent to RMB342.4 million (before impairment allowance) (31 December 2018: RMB584.6 million), were pledged with banks to secure bank borrowings with principal amount of 311.5 million (31 December 2018: RMB491.0 million) (Note 31).

As at 30 June 2019, restricted term deposits of RMB500.5 million were pledged with banks to secure bank borrowings with principal amount of RMB479.0 million (31 December 2018: restricted term deposits of RMB78.7 million were pledged with banks to secure bank borrowings with principal amount of RMB74.0 million) (Note 31).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 28 SHARE CAPITAL

	Number of shares	Ordinary shares HK\$	Ordinary shares RMB
<b>Issued and fully paid:</b>			
As at 30 June 2019 and 31 December 2018	1,086,787,000	HK\$10,867,870	8,631,935

## 29 SHARE PREMIUM AND OTHER RESERVES

	Other reserves					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	
At 1 January 2019	601,993	506,963	77,715	4,417	7,171	1,198,259
Share-based payments — Value of employee services (b)	—	—	—	—	—	—
At 30 June 2019	601,993	506,963	77,715	4,417	7,171	1,198,259
At 1 January 2018	601,993	506,963	77,715	4,417	4,971	1,196,059
Share-based payments — Value of employee services (b)	—	—	—	—	984	984
At 30 June 2018	601,993	506,963	77,715	4,417	5,955	1,197,043

### (a) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 29 SHARE PREMIUM AND OTHER RESERVES (Continued)

### (b) Share-based payments – Value of employee services

There have been no changes regarding share-based payments. The following table shows the movement of the current period, which should be read in conjunction with the annual report for the year ended 31 December 2018.

	Six months ended 30 June 2019	
	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January	0.62	27,238
Granted	—	—
Exercised	—	—
Forfeited	—	—
At 30 June	0.62	27,238
Vested and exercisable as at 30 June 2019	0.62	27,238

No employee benefit expense was recognized for share options granted to directors and employees for the period ended 30 June 2019 (for the six months ended 30 June 2018: RMB984 thousand).

Share options outstanding at the end of the period will expire on 12 September 2021.

Audited	Year ended 31 December 2018	
	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January	0.62	28,007
Forfeited	0.62	(769)
At 31 December	0.62	27,238
Vested and exercisable as at 31 December 2018	0.62	27,238



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 30 OTHER CURRENT LIABILITIES

	30 June 2019 Unaudited	31 December 2018 Audited
Accrued employee benefits	6,704	11,034
Turnover tax and other tax payable	1,358	3,010
Investment payable	—	390
Other financial liabilities	7,154	7,344
	<b>15,216</b>	21,778

As 30 June 2019, the Group's other financial liabilities were non-interest bearing (31 December 2018: same).

## 31 BORROWINGS

	30 June 2019 Unaudited	31 December 2018 Audited
Bank borrowings (a)	987,615	766,286
Borrowings from micro-finance company (b)	51,000	55,000
Borrowings from securities company (c)	15,500	15,540
SME bond issued (d)	5,000	—
Private placement note (e)	—	13,250
	<b>1,059,115</b>	850,076

(a) Bank borrowings are denominated in RMB, which mature within one year and bear fixed interest rates ranging from 3.45% to 5.44% per annum during the six months ended 30 June 2019 (2018: 4.35% to 6.09%).

As at 30 June 2019, bank borrowings with principal amount of RMB311.5 million (31 December 2018: RMB491.0 million) were secured by restricted term deposits of US\$49.8 million (31 December 2018: US\$85.2 million) (Note 27).

As at 30 June 2019, bank borrowings with principal amount of RMB479.0 million were secured by restricted term deposits of RMB500.5 million (31 December 2018: bank borrowings with principal amount of RMB74.0 million were secured by restricted term deposits of RMB78.7 million) (Note 27).

As at 30 June 2019, bank borrowings with principal amount of RMB200.0 million are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (31 December 2018: RMB200.0 million).

As at 30 June 2019, the Group had no undrawn borrowing facilities (31 December 2018: Nil).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 31 BORROWINGS (Continued)

- (b) As at 30 June 2019, borrowings from micro-finance company with principal amount of RMB40.0 million are guaranteed by Jiangsu Wuzhong Group Co. Ltd (“Wuzhong Group”) (31 December 2018: RMB55.0 million).
- (c) As at 30 June 2019, borrowings from securities company with principal amount of RMB15.5 million are pledged by listed equity investment held by the Group (31 December 2018: RMB15.5 million) (Note 25).
- (d) As at 30 June 2019, SME private placement bond was issued to fund the lending business to small and micro enterprises in the Jiangsu Province. The bond has a maturity within one year and bears fixed interest rate of 7.3% per annum (2018: Nil). The bond was guaranteed by Jiang Su Jin Chuang Credit Re-guarantee Company (“江蘇金創信用再擔保”) (2018: Nil).
- (e) As at 30 June 2019, there is no private placement note (31 December 2018: private placement note with principal amount of RMB12.5 million were guaranteed by Wuzhong Group) (Note 34(b)).

## 32 CONTINGENCIES

As at 30 June 2019, the Group does not have any material contingencies (31 December 2018: Nil).

## 33 COMMITMENTS

### (a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 June 2019 Unaudited</b>	31 December 2018 Audited
No later than 1 year	<b>1,193</b>	4,665
Later than 1 year and no later than 5 years	—	5,302
	<b>1,193</b>	9,967

### (b) Capital commitments

	<b>30 June 2019 Unaudited</b>	31 December 2018 Audited
Lianqietong (a)	<b>2,522</b>	—
Hillcrest Associated Limited	<b>440</b>	438
	<b>2,962</b>	438

- (a) The committed capital injection to Lianqietong is RMB27.5 million, of which RMB2.5 million has not been paid by the Group as at 30 June 2019 (31 December 2018: Nil).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 34 RELATED PARTY TRANSACTIONS

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

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

Names of related parties	Nature of relationship
Wuzhong Jiaye	Direct equity holder of Wuzhong Pawnshop
Wuzhong Group	Controlling shareholder of Wuzhong Jiaye before Reorganization
Jiangsu Wuzhong Real Estate Group Co., Ltd. (江蘇吳中地產集團有限公司) (“Wuzhong Real Estate”)	A related party controlled by Wuzhong Group
Wuzhong America Services for Cultural Education and Communication Ltd (“Wuzhong America”)	A related party controlled by Wuzhong Group
BVI companies wholly owned by each of the Ultimate Shareholders (“BVI entities owned by the Ultimate Shareholders”)	Related parties controlled by each of the Ultimate shareholders
Tricor Services Limited (卓佳專業商務有限公司) (“Tricor”)	Company Secretary
Shenzhen Zuanying Internet Co., Ltd. (深圳鑽盈互聯網有限公司) (“Shenzhen Zuanying”)	Associate
Lianqietong	Associate
Suzhou Huiying Precious Metals Co., Ltd. (蘇州匯盈貴金屬有限公司)	Related parties controlled by the ultimate shareholders

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 34 RELATED PARTY TRANSACTIONS (Continued)

### (b) Significant transactions with related parties

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Other operating income from Shenzhen Zuanying	—	4,931
Bank borrowings guaranteed by Wuzhong Jiaye and Ultimate Shareholders (in principal amount at period end) (Note 31)	200,000	220,000
Borrowings guaranteed by Wuzhong Group (in principal amount at period end) (Note 31)	40,000	97,050
Interest expenses paid to Wuzhong Group	1,041	—
Private placement note guaranteed by Wuzhong Group (in principal amount at period-end) (Note 31(d))	—	32

### (c) Balances with related parties

	30 June 2019 Unaudited	31 December 2018 Audited
	<b>Amounts due to related parties</b>	
Due to BVI entities owned by the Ultimate Shareholders	633	633
Due to Lianqietong (a)	20,000	—
Due to Wuzhong Group (b)	40,376	—
Due to Wuzhong Jiaye (a)	59,200	—

(a) As at 30 June 2019, amounts due to Lianqietong and Wuzhong Jiaye are interest free and have no due dates (31 December 2018: Nil).

(b) Suzhou Huifang Jiada Information Technology Company Limited, a subsidiary of the Group, has borrowed RMB40 million from Wuzhong Group. The due date of the borrowing is 30 June 2020 with an annual interest rate of 8% (31 December 2018: Nil).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2019  
(All amounts in RMB thousands unless otherwise stated)

## 34 RELATED PARTY TRANSACTIONS (Continued)

### (d) Key management compensation

Key management comprises five members including executive directors, chief risk officer and vice presidents. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Basic salaries	1,731	2,266
Discretionary bonuses	1,384	1,599
Pension and other social security obligations	292	226
Share-based payments	—	372
	3,407	4,463

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

For the six months ended 30 June 2019, the Group paid RMB37 thousand to Tricor for the company secretary services (2018: RMB35 thousand).

## 35 COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the presentation of this interim condensed consolidated financial information.

# DEFINITIONS

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

“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time)
“Board” or “Board of Directors”	the board of directors of our Company
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	China Huirong Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 11 November 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“Contractual Arrangements”	a series of contracts entered into by Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be), details of which are described in the section headed “Our History and Reorganisation — Contractual Arrangements” in the Prospectus
“Director(s)”	the director(s) of our Company
“Dongshan Micro-finance”	Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州市吳中區東山農村小額貸款有限公司), a limited liability company established in the PRC on 26 December 2012, which is an indirect holding subsidiary of our Company
“EIT Law”	the Enterprise Income Tax Law of the People’s Republic of China
“Global Offering” or “IPO”	the Hong Kong public offering and the international offering of Shares
“Greater Suzhou Area”	Suzhou city and the four county-level cities that are governed by the Suzhou city government, namely, Changshu, Kunshan, Taicang and Zhangjiagang
“Group”, “our Group”, “we”, “our” or “us”	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as the subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
“Hengyue Consulting”	Suzhou Xinqu Hengyue Management Consulting Co., Ltd.* (蘇州新區恒悅管理諮詢有限公司), a limited liability company established under the laws of the PRC on 22 October 2007, one of the direct shareholders of the PRC Operating Entity
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

## DEFINITIONS (Continued)

“HKFRSs”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huida Factoring”	Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司), a limited liability company established in the PRC on 30 May 2016, which is an indirect wholly-owned subsidiary of our Company
“Huifang Jiada”	Suzhou Huifang Jiada Information Technology Company Limited* (蘇州匯方嘉達資訊科技有限公司), a limited liability company established in the PRC on 15 December 2016, which is an indirect wholly-owned subsidiary of our Company
“Huifang Rongda”	Suzhou Huifang Rongda Internet Technology Company Limited* (蘇州匯方融達網路科技有限公司), a limited liability company established in the PRC on 8 May 2015, which is an indirect wholly-owned subsidiary of our Company
“Huifang Rongtong”	Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)), a limited partnership company established in the PRC on 1 September 2017, which is an indirect holding subsidiary of our Company
“Huifang Technology”	Suzhou Huifang Management Consulting Co., Ltd.* (蘇州匯方管理諮詢有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 29 December 2011, which is an indirect wholly owned subsidiary of our Company. On 12 December 2013, the name of Suzhou Huifang Management Consulting Co. Ltd.* (蘇州匯方管理諮詢有限公司) was changed to Suzhou Huifang Technology Co. Ltd.* (蘇州匯方科技有限公司) upon the approval from Administration for Industry and Commercial of Suzhou, Jiangsu
“Huifang Investment”	Huifang Investment Limited* (匯方投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 5 December 2011 and a wholly-owned subsidiary of our Company
“Huifang Tongda”	Suzhou Huifang Tongda Management Consulting Co., Ltd.* (蘇州匯方同達管理諮詢有限公司), a limited liability company established in the PRC on 10 February 2012 which is an indirect wholly-owned subsidiary of our Company. On 11 December 2013, the name of Suzhou Huifang Tongda Management Consulting Co., Ltd.* (蘇州匯方同達管理諮詢有限公司) was changed to Suzhou Huifang Tongda Information Technology Co., Ltd.* (蘇州匯方同達信息科技有限公司) upon the approval from Administration for Industry and Commercial of Wuzhong, Suzhou
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	28 October 2013 on which the Shares are listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

## DEFINITIONS (Continued)

“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC Operating Entity” or “Wuzhong Pawnshop”	Suzhou Wuzhong Pawnshop Co., Ltd.* (蘇州市吳中典當有限責任公司), a limited liability company established under the laws of the PRC on 21 December 1999, formerly known as 吳縣市吳中典當行有限公司 (Wuxian Wuzhong Pawnshop Co., Ltd.), a company which we do not own but the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements
“PRC Shareholders”	Mr. Zhu Tianxiao, Mr. Zhang Xiangrong, Mr. Ge Jian, Mr. Chen Yannan, Mr. Wei Xingfa, Mr. Yang Wuguan and Mr. Zhuo You, who are the ultimate and indirect shareholders of the Company. Except for Mr. Zhuo You, who is a non-executive Director of the Company, none of the other PRC Shareholders is a director or chief executive member of the Company
“Prospectus”	prospectus of the Company dated 16 October 2013 in relation to the Global Offering
“Reorganisation”	the reorganisation of the Group in preparation of the Listing, details of which are set out in the section headed “Our History and Reorganisation — Reorganisation” in the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary shares(s) in the capital of the Company with normal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Sifang Investment”	Sifang Investment Limited* (四方投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tongda Investment”	Tongda Investment Limited* (同達投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company with no substantial business activity
“Track Record Period”	the four fiscal years of our Company ended 31 December 2011, 2012, 2013 and 2014
“Wuzhong Group”	Jiangsu Wuzhong Group Co., Ltd.* (江蘇吳中集團有限公司), a limited liability company established under the laws of the PRC on 26 May 1992, formerly known as Jiangsu Wuzhong Group Co.* (江蘇吳中集團公司)





## DEFINITIONS (Continued)

“Wuzhong Jiaye”                      Jiangsu Wuzhong Jiaye Group Co., Ltd.\* (江蘇吳中嘉業集團有限公司), a limited liability company established under the laws of the PRC on 25 April 2005, formerly known as Jiangsu Wuzhong Jiaye Investment Co., Ltd.\* (江蘇吳中嘉業投資有限公司), one of the direct shareholders of the PRC Operating Entity

“Wuzhong Real Estate”              Jiangsu Wuzhong Real Estate Group Co., Ltd.\* (江蘇吳中地產集團有限公司), a limited liability company established under the laws of the PRC on 13 August 1992, formerly known as Jiangsu Wuzhong Dongwu Property Development Co.\* (江蘇吳中東吳產業開發公司), Wuxian Dongwu Property Development Co.\* (吳縣市東吳產業開發公司), and Jiangsu Wuzhong Dongwu Property Development Co., Ltd.\* (江蘇吳中東吳產業開發有限公司)

\* For identification purpose only

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

# GLOSSARY

The glossary contains explanations of certain terms and definitions used in this annual report in connection with us and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“average loan amount”	the aggregate outstanding loan amount of a certain type of loans divided by the number of outstanding loans of that type as of an indicated date
“CAGR”	compound annual growth rate
“charge-off ratio”	impairment charge for an indicated period divided by ending balance of the gross amount of loans to customers of the same period and multiplied by 100%
“cost to income ratio”	administrative expenses of an indicated period divided by net revenue of the same period and multiplied by 100%
“gross loan yield”	interest income from loans to customers of an indicated period divided by the average of the beginning and the ending balances of gross loan amount multiplied by 100%
“impaired loan ratio”	the aggregate amount of individually impaired loans as of an indicated date divided by the gross amount of loans to customers as of the same date and multiplied by 100%
“appraised loan-to-value ratio”	the outstanding principal amount of a loan as of the calculation date divided by the appraised value of the underlying collateral securing such loan as decided in the loan application review process and multiplied by 100%
“net interest margin”	net interest income for an indicated period divided by the average of the beginning and the ending balance of interest earning assets of the same period, which equals the sum of the ending balances of (i) loans to customers and (ii) deposit with banks and multiplied by 100%
“return on average assets”	profit attributable to equity holders for an indicated period divided by the average of the beginning and the ending balances of total assets of the same period and multiplied by 100%
“return on average equity”	profit attributable to equity holders for an indicated period divided by the average of the beginning and the ending balances of total equity of the same period and multiplied by 100%