



Quanzhou Huixin Micro-credit Co., Ltd.*
泉州匯鑫小額貸款股份有限公司

(Established in the People's Republic of China with limited liability)
Stock Code: 1577

A large, stylized circular graphic composed of concentric arcs in shades of brown and gold. Eight circular icons are arranged around the central text: a bar chart with an upward arrow, a speech bubble with a checkmark, a magnifying glass, a globe, a dollar sign, two interlocking gears, a computer monitor with a bar chart, and a speech bubble with a checkmark.

2020 Interim Report

* For identification purpose only

Contents

2	<i>Definitions</i>
4	<i>Corporate Information</i>
6	<i>Management Discussion and Analysis</i>
22	<i>Other Information</i>
27	<i>Independent Review Report</i>
28	<i>Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income</i>
29	<i>Interim Condensed Consolidated Statement of Financial Position</i>
30	<i>Interim Condensed Consolidated Statement of Changes in Equity</i>
31	<i>Interim Condensed Consolidated Statement of Cash Flows</i>
32	<i>Notes to Interim Condensed Consolidated Financial Information</i>



Definitions

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

“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to “China” and “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Company”	Quanzhou Huixin Micro-credit Co., Ltd.* (泉州匯鑫小額貸款股份有限公司), a joint stock company established in the PRC with limited liability on 8 January 2010 converted from the predecessor company, Quanzhou Licheng District Huixin Microcredit Co., Ltd.* (泉州市鯉城區匯鑫小額貸款有限公司), on 18 August 2014, the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 1577)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities
“Fujian Province” or “Fujian”	Fujian Province (福建省), a province located in the southeastern coast of China
“Fujian Haoxiang Gardening”	Fujian Haoxiang Gardening Building Decoration Engineering Co., Ltd.* (福建豪翔園林建設有限責任公司)
“Fujian Huian Haoda”	Fujian Huian Haoda Construction Company Limited* (福建省惠安豪達建設有限公司), formerly known as Fujian Huian Haoda Stoning Company Limited* (福建省惠安豪達石業有限公司)
“Fujian Panpan”	Fujian Panpan Biotech Limited* (福建盼盼生物科技股份有限公司)
“Fujian Septwolves Group”	Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司)
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“HKFRS(s)”	Hong Kong Financial Reporting Standards
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

Definitions (Continued)

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“JJHX”	Jinjiang Huixin Microfinance Co., Ltd.* (晉江市匯鑫小額貸款有限公司)
“Listing Rules”	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Quanzhou”	Quanzhou City (泉州市), Fujian Province, the PRC
“Quanzhou Haoxiang”	Quanzhou Haoxiang Stone Co., Ltd.* (泉州豪翔石業有限公司)
“Quanzhou Yuanpeng”	Quanzhou Yuanpeng Clothing and Textile Co., Ltd.* (泉州市遠鵬服飾織造有限公司)
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“Reporting Period”	the period for the six months ended 30 June 2020
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“SMEs”	small and medium-sized enterprise(s), as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Supervisor(s)”	the supervisor(s) of the Company
“Wealth Success”	Wealth Success Enterprise Limited* (成康企業有限公司)
“Xiamen Gaoxinhong”	Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司)
“Xiamen Sifang”	Xiamen Sifang Jiasheng Trading Company Limited* (廈門四方嘉盛貿易有限公司)

* for identification purpose only

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhou Yongwei (*Chairman*)
Mr. Wu Zhirui
Mr. Yan Zhijiang
Ms. Liu Aiqin

Non-executive Directors

Mr. Jiang Haiying
Mr. Cai Rongjun

Independent Non-executive Directors

Mr. Zhang Lihe
Mr. Lin Jianguo
Mr. Sun Leland Li Hsun

SUPERVISORS

Ms. Hong Lijun (*Chairwoman*)
Mr. Li Jiancheng
Ms. Ruan Cen
Mr. Chen Jinzhu
Mr. Wu Lindi

AUDIT COMMITTEE

Mr. Zhang Lihe (*Chairman*)
Mr. Lin Jianguo
Mr. Cai Rongjun

REMUNERATION COMMITTEE

Mr. Lin Jianguo (*Chairman*)
Mr. Sun Leland Li Hsun
Mr. Wu Zhirui

NOMINATION COMMITTEE

Mr. Zhou Yongwei (*Chairman*)
Mr. Sun Leland Li Hsun
Mr. Zhang Lihe

JOINT COMPANY SECRETARIES

Mr. Yan Zhijiang
Ms. Ng Ka Man (*ACS, ACIS*)

AUTHORISED REPRESENTATIVES

Mr. Wu Zhirui
Mr. Yan Zhijiang

REGISTERED ADDRESS

12/F, Former Finance Building
No. 361 Feng Ze Street
Quanzhou
Fujian
the PRC

HEADQUARTERS/PRINCIPAL PLACE OF BUSINESS IN THE PRC

12/F, Former Finance Building
No. 361 Feng Ze Street
Quanzhou
Fujian
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

COMPANY WEBSITE

www.qzhuixin.net

STOCK CODE

1577

AUDITOR AND REPORTING ACCOUNTANT

Ernst & Young
Certified Public Accountants

LEGAL ADVISER

Akin Gump Strauss Hauer & Feld
(as to Hong Kong laws)

H SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Agricultural Bank of China
Jinjiang Jinjing Sub-branch
No. 200 Zhong Xing Road, Jin Jing Town
Jinjiang City
Quanzhou
Fujian
the PRC

China Minsheng Bank
Quanzhou Branch
No. 689 Citong Street
Fengze District
Quanzhou
Fujian
the PRC

Xiamen Bank
Yinlong Sub-branch
No. 857 Xiahe Street
Huli District
Quanzhou
Fujian
the PRC

Xiamen Bank
Quanzhou Branch
No. 474 Huxin Street
Licheng District
Quanzhou
Fujian
the PRC

Management Discussion and Analysis

INDUSTRY OVERVIEW

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

With China’s industrial reform and equipment upgrades, the steady growth of China’s fixed asset investment has created greater potential for the development of the finance leasing industry. In 2016, Fujian provincial government promulgated the Opinions on Promoting the Development of the Finance Leasing Industry (關於促進融資租賃業發展的意見), which has implemented effective measures in taxation and development environment to support the finance leasing industry in Fujian province.

BUSINESS OVERVIEW

Our Group is principally engaged in loan business and finance leasing business. We conduct our loan business primarily through the Company and JJHX. Based in Quanzhou, we are the largest licensed microfinance company in Fujian Province in terms of revenue in 2019, according to the statistics of the Fujian Financial Supervision Bureau (福建省地方金融監督管理局). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs. Through Lianche, we commenced our finance leasing business principally engagement in the provision of automobile finance leasing services for SMEs and individuals in the PRC.

We generate substantially all of our income by charging interest on the loans and finance leases extended to our customers. For the six months ended 30 June 2020, the total loans and finance leases granted to our customers amounted to RMB650.8 million. Our interest income from loans receivable was RMB67.5 million for the six months ended 30 June 2020. Our interest income from finance lease receivables was RMB1.7 million for the six month ended 30 June 2020.

Management Discussion and Analysis (Continued)

We financed our operations primarily through a combination of share capital of our Shareholders and bank borrowings. The following table sets forth our share capital, net capital, principal amount of outstanding loans, lease receivables and loan and finance lease/net capital ratio as of the dates indicated:

	As of 30 June 2020	As of 31 December 2019
Share capital (RMB in millions)	680.0	680.0
Net capital (RMB in millions) ⁽¹⁾	1,187.5	1,228.9
Principal amount of outstanding loans (RMB in millions)	922.2	1,108.7
Lease receivables (RMB in millions)	24.4	39.2
Loan and finance lease/Net capital ratio ⁽²⁾	0.80 times	0.93 times

Notes:

- (1) Represents the aggregate of our share capital, reserves and retained profits of our Group.
- (2) Represents the principal amount of our outstanding loans and the total amount of our lease receivables divided by our net capital.

Our Loan Business

Loan Portfolio

The principal amount of our outstanding loans decreased from RMB1,108.7 million as of 31 December 2019 to RMB922.2 million as of 30 June 2020, primarily because we adjusted our strategy by declining our loan size to against the increasing credit risk of the market.

Revolving Loans and Term Loans

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

	As of 30 June 2020		As of 31 December 2019	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Revolving loans	668,273	72.5	785,082	70.8
Term loans	253,917	27.5	323,593	29.2
Total	922,190	100.0	1,108,675	100.0

Management Discussion and Analysis (Continued)

Loan portfolio by security

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

	As of 30 June 2020		As of 31 December 2019	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Credit loans	4,600	0.5	6,000	0.5
Guaranteed loans	286,157	31.0	425,777	38.4
Collateral-backed loans				
— with guarantee	415,823	45.1	452,356	40.8
— without guarantee	215,610	23.4	224,542	20.3
Total	922,190	100.0	1,108,675	100.0

Our guaranteed loans decreased from RMB425.8 million as of 31 December 2019 to RMB286.2 million as of 30 June 2020 mainly because we upgraded the approval standard of the guaranteed loans.

Past due loans

The principal amount of our past due loans was RMB80.2 million and RMB94.1 million as of 31 December 2019 and 30 June 2020, respectively, accounting for 7.2% and 10.2% of the total principal amount of our outstanding loans as of the same dates.

We had 23 past due loans with an aggregate amount of RMB80.2 million as of 31 December 2019. As of 30 June 2020, RMB8.2 million of the principal amount of these past due loans as of 31 December 2019 had been settled and RMB50.7 million of the principal amount of these past due loans as of 31 December 2019 had been written off. As of 30 June 2020, the remaining portion of principal amount of past due loans as of 31 December 2019 was RMB21.3 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2019 was RMB13.8 million.

As of 30 June 2020, we had 30 past due loans with an aggregate amount of RMB94.1 million, and our allowance for impairment losses for these past due loans as of the same date was RMB21.3 million.

The principal amount of our past due loans increased from RMB80.2 million as of 31 December 2019 to RMB94.1 million as of 30 June 2020, mainly because some of our loans were overdue as a result of the increase in credit risk of the market.

Management Discussion and Analysis (Continued)

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

	As of 30 June 2020		As of 31 December 2019	
	RMB'000	%	RMB'000	%
Normal	615,114	66.7	730,870	65.9
Special-mention	219,513	23.8	304,499	27.5
Substandard	72,766	7.9	13,333	1.2
Doubtful	2,827	0.3	46,723	4.2
Loss	11,970	1.3	13,250	1.2
Total	922,190	100.0	1,108,675	100.0

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

Our “doubtful” loans decreased from RMB46.7 million as of 31 December 2019 to RMB2.8 million as of 30 June 2020 mainly because some uncollectible doubtful loans as of 31 December 2019 were written off.

Management Discussion and Analysis (Continued)

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

(RMB'000, except for percentage)	As of/For the six months ended 30 June 2020	As of/For the year ended 31 December 2019
Impaired loan ratio⁽¹⁾	9.4%	6.5%
Balance of impaired loans receivable	87,563	73,306
Balance of gross loans receivable	927,278	1,129,136
Allowance coverage ratio⁽²⁾	51.4%	89.0%
Allowance for impairment losses ⁽³⁾	44,968	65,262
Balance of impaired loans receivable	87,563	73,306
Provision for impairment losses ratio⁽⁴⁾	4.8%	5.8%
Loss ratio⁽⁵⁾	66.9%	23.0%
Net charge of impairment allowance on loans receivable	45,170	38,042
Interest income	67,529	165,400

Notes:

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

Our impaired loans receivable increased from RMB73.3 million as of 31 December 2019 to RMB87.6 million as of 30 June 2020. Our impaired loan ratio increased from 6.5% as of 31 December 2019 to 9.4% as of 30 June 2020. Such increases were primarily because we categorized some of our loans receivable as impaired loans receivable as a result of the reduced repayment ability of the customers.

Management Discussion and Analysis (Continued)

Our Finance Leasing Business

Finance Lease Receivables by Security

The following table sets forth our finance lease receivables by security as of the date indicated:

	As of 30 June 2020		As of 31 December 2019	
	RMB'000	%	RMB'000	%
Collateral-backed leases:				
— with guarantee	14,076	57.6	21,899	55.8
— without guarantee	10,353	42.4	17,330	44.2
Total	24,429	100.0	39,229	100.0

Gross and Net Amounts of Lease Receivables

The following table sets forth the expected gross and net amounts of lease receivables as of the date indicated:

	As of 30 June 2020 RMB'000	As of 31 December 2019 RMB'000
Lease receivables	24,429	39,229
— Due within one year	19,893	26,466
— Due in one year to two years	4,499	11,914
— Due in two years to three years	37	849
Net lease receivables	22,525	35,482
— Due within one year	18,199	23,469
— Due in one year to two years	4,290	11,194
— Due in two years to three years	36	819

We categorize our lease receivables according to the “Five-Tier Principle”. As of 30 June 2020, the past due lease receivables were categorized as “substandard”, and the remaining lease receivables were categorized as “normal”.

Both the lease receivables due in one year to two years and due in two years to three years decreased from RMB11.2 million and RMB0.8 million of as of 31 December 2019 to RMB4.3 million and RMB0.04 million as of 30 June 2020, mainly because there were no new lease receivables incurred during the Reporting Period.

Management Discussion and Analysis (Continued)

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2020:

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.	Our Group complied with such requirement for the six months ended 30 June 2020.
The debt to net capital ratio of a microfinance company in Quanzhou is capped at 100%.	Our Group complied with such requirement for the six months ended 30 June 2020.
The interest rates charged by microfinance companies may not exceed the maximum loan interest rate specified by judicial departments, or lower than 0.9 times of the prevailing the People's Bank of China (中國人民銀行) benchmark lending rate, pursuant to the Interim Measures of Fujian province for the Administration of Microfinance (福建省小額貸款公司暫行管理辦法).	Our Group complied with such applicable requirement for the six months ended 30 June 2020.
The Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) promulgated by the Supreme People's Court (最高人民法院) on 1 September 2015 provide that: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts.	
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	Our Group complied with such requirement for the six months ended 30 June 2020.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 5% of the net capital of such microfinance company.	Our Group complied with such requirement for the six months ended 30 June 2020.

Management Discussion and Analysis (Continued)

Key requirements	Compliance status
Upon the listing of the H shares on the main board of the Stock Exchange on 30 September 2016, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the “ Amended 70% Requirement ”).	Our Group complied with the Amended 70% Requirement for the six months ended 30 June 2020.
Risk assets of a finance leasing company shall not exceed 10 times of its total net assets.	Our Group complied with such requirement for the six months ended 30 June 2020.

FINANCIAL OVERVIEW

Interest Income, Net

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

The following table sets forth our interest income and interest expense for the periods indicated:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest income on:		
Loans receivable	67,529	93,134
Finance lease receivables	1,739	2,827
Interest expense on:		
Bank loans	(1,469)	(5,096)
Lease liabilities	(43)	(88)
Interest income, net	67,756	90,776

Interest Income

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

Management Discussion and Analysis (Continued)

The following table sets forth the average balance of our outstanding performing loans and finance leases and corresponding average effective interests rate per annum for the periods indicated:

	For the six months ended 30 June	
	2020	2019
Average balance:		
— outstanding performing loans ⁽¹⁾ (RMB'000)	890,269	1,161,227
— interest-generating finance lease receivables (RMB'000)	30,700	57,618
Average effective interest rate per annum:		
— outstanding performing loans ⁽²⁾	14.09%	15.33%
— interest-generating finance lease receivables ⁽³⁾	11.33%	9.81%

Notes:

- (1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the period indicated.
- (2) Calculated by dividing the interest income for the period by the average balance of outstanding performing loans for the period multiplied by two.
- (3) Calculated by dividing the interest income derived from our interest-generating finance lease receivables for the period by the average balance of our finance lease receivables not impaired for the period multiplied by two.

Our loan business and finance leasing business are primarily funded by our share capital as well as our bank borrowings. Our interest income decreased by 27.8% from RMB96.0 million for the six months ended 30 June 2019 to RMB69.3 million for the six months ended 30 June 2020. The average balance of our outstanding performing loans decreased by 23.3% from RMB1,161.2 million for the six months ended 30 June 2019 to RMB890.3 million for the six months ended 30 June 2020. Such decreases were primarily because we adjusted our strategy by declining our loan size to against the increasing credit risk of the market. The average balance of our finance lease receivables decreased from RMB57.6 million to RMB30.7 million for the six months ended 30 June 2020 mainly because there were no new lease receivables incurred during the Reporting Period as the results of the impact of downturn automobile finance leasing industry. For the six months ended 30 June 2019 and 2020, our average effective interest rate per annum on our performing loans slightly decreased from 15.3% to 14.1%. Such decrease was primarily due to (i) the increase in the proportion of collateral-backed loans with low interest; and (ii) the charging of low interest rate to our high-quality customers.

Interest Expense

The following table sets forth the average balance of our bank borrowings and effective interest rates per annum for the periods indicated:

	For the six months ended 30 June	
	2020	2019
Average balance of bank borrowings ⁽¹⁾ (RMB'000)	57,667	170,167
Effective interest rate per annum ⁽²⁾	5.09%	6.00%

Management Discussion and Analysis (Continued)

Notes:

- (1) Calculated as the average balance of our bank borrowings at the end of each month for the period indicated.
- (2) Calculated by dividing the interest expense for the period by the average balance of bank borrowings for the period multiplied by two.

Our average balance of bank borrowings decreased from RMB170.2 million as of 30 June 2019 to RMB57.7 million as of 30 June 2020, which was generally in line with our business scale.

Net Charge of Impairment Allowance on Loans and Accounts Receivable

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

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

Our net charge of impairment allowance on loans and accounts receivable for the six months ended 30 June 2019 and 2020 were RMB22.1 million and RMB45.2 million, respectively. Such increase was primarily because we charged impairment allowance on the loans which were granted to the customers whose repayment ability reduced due to the increase in the market credit risk and were categorized as impaired loans receivable accordingly.

Operating and Administrative Expenses

Our operating and administrative expenses mainly include tax and surcharges, staff costs, service fees, depreciation and amortization expenses and others. The table below sets forth the components of our operating and administrative expenses by nature for the periods indicated:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Tax and surcharges	402	797
Staff costs:		
Salaries, bonuses and allowances	5,860	6,020
Other social welfare	701	1,068
Service fees	1,439	2,628
Depreciation and amortization	2,565	2,025
Others	1,708	2,227
Total operating and administrative expenses	12,675	14,765

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fees, accounting for 5.4% and 3.2% of our operating and administrative expenses for the six months ended 30 June 2019 and 2020, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 48.0% and 51.8% of our operating and administrative expenses for the six months ended 2019 and 2020, respectively.

Management Discussion and Analysis (Continued)

Our operating and administrative expenses decreased from RMB14.8 million for the six months ended 30 June 2019 to RMB12.7 million for the six months ended 30 June 2020 mainly because of the decrease in our loan size resulting in the decrease in the service fee.

Other Income and Gains, Net

Our net other income and gains consists of gains on disposals of financial assets at fair value through profit or loss, interest from bank deposits, government grants and other gains and losses. Our net other income and gains increased from RMB1.2 million for the six months ended 30 June 2019 to RMB4.9 million for the six months ended 30 June 2020 mainly due to the increase in the transaction of the financial assets at fair value through profit or loss.

Income Tax Expense

During the six months ended 30 June 2019 and 2020, we were subject to the general tax rate of 25% pursuant to the Enterprise Income Tax Law (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and became effective as from the same day. Our income tax expense for the six months ended 30 June 2019 and 2020 was RMB13.7 million and RMB3.6 million, respectively, and our effective tax rate was 23.6% and 24.1% for the same period, respectively.

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

Net Profit and Total Comprehensive Income for the Period

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB44.4 million and RMB11.4 million for the six months ended 30 June 2019 and 2020, respectively. The profit attributable to owners of the parent company for the same period was RMB41.6 million and RMB6.5 million, respectively.

Liquidity and Capital Resources

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

Our gearing ratio which presented the percentage of our net debt divided by the aggregate of our capital and net debt, decreased from 3.2% as of 31 December 2019 to 0.6% as of 30 June 2020.

Management Discussion and Analysis (Continued)

Cash Flows

The following table sets forth a selected summary of our cash flow statement for the periods indicated:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net cash flows from/(used in) operating activities	54,813	(34,164)
Net cash flows (used in)/from investing activities	(7,108)	19,694
Net cash flows used in financing activities	(40,850)	(16,160)
Net increase/(decrease) in cash and cash equivalents	6,855	(30,630)
Cash and cash equivalents at beginning of the period	36,119	51,718
Effect of foreign exchange rate changes, net	126	16
Cash and cash equivalents at end of the period	43,100	21,104

Net Cash Flows From/(Used in) Operating Activities

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

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

Net cash flows from operating activities for the six months ended 30 June 2020 was RMB54.8 million. Net cash flows generated from operating activities before working capital adjustment was RMB59.2 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in financial assets at fair value through profit or loss of RMB159.6 million; (ii) an increase in other assets of RMB2.6 million; and (iii) a decrease in other payables of RMB6.9 million mainly attributable to the increase in payrolls payable and taxes. Cash inflows primarily consisted of: (i) the decrease in securities purchased under agreements to re-sell of RMB29.9 million attributable to the maturity of such securities; and (ii) the decrease in loans and account receivable of RMB154.0 million as a result of decrease in loan size.

Net Cash Flows Used in Investing Activities

For the six months ended 30 June 2020, our net cash flows used in investing activities was RMB7.1 million, which was mainly due to the purchase of properties.

Net Cash Flows Used in Financing Activities

For the six months ended 30 June 2020, our net cash flows used in financing activities was RMB40.9 million which consisted of: (i) the dividends paid to non-controlling shareholders of JJHX of RMB18.8 million; (ii) the net repayment of bank borrowings of RMB20.0 million; and (iii) the interest paid and principal of the lease payments of RMB2.1 million in aggregate.

Management Discussion and Analysis (Continued)

Cash Management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2019 and 30 June 2020, the total cash and cash equivalents amounted to RMB36.1 million and RMB43.1 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected Items of the Statements of Financial Position

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash on hand and cash at banks. As of 31 December 2019 and 30 June 2020, we had cash and cash equivalents of RMB36.1 million and RMB45.1 million, respectively. Such increase in our cash and cash equivalents was primarily due to the decline in our loan size.

Loans and Accounts Receivable

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

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

	As of 30 June 2020 RMB'000	As of 31 December 2019 RMB'000
Net lease receivables:		
— Performing	22,167	35,298
— Non-performing	358	184
Loans receivable:		
— Performing ⁽¹⁾	839,715	1,055,830
— Non-performing ⁽²⁾	87,563	73,306
Total loans and accounts receivable	949,803	1,164,618
Less: Allowance for impairment losses		
— Individual assessed	(20,929)	(43,439)
— Collective assessed	(24,561)	(22,355)
Total allowance for impairment losses	(45,490)	(65,794)
Net loans and accounts receivable	904,313	1,098,824

Notes:

(1) Performing loans are collectively assessed for impairment.

(2) Non-performing loans to customers include those with objective evidence of impairment.

Management Discussion and Analysis (Continued)

Our net loans and accounts receivable decreased from RMB1,098.8 million as of 31 December 2019 to RMB904.3 million as of 30 June 2020 primarily because we adjusted our strategy by declining our loan size to against the increasing credit risk of the market.

As of 30 June 2020, our maturity profiles within one year and over one year accounted for 79.0% and 10.9% of the total loans receivable, respectively. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 30 June 2020		As of 31 December 2019	
	RMB'000	%	RMB'000	%
Past due	94,071	10.1	80,156	7.1
Due within three months	244,042	26.4	227,779	20.1
Due between three months and six months	149,464	16.1	311,509	27.6
Due between six months and one year	338,324	36.5	286,437	25.4
Due over one year	101,377	10.9	223,255	19.8
Total	927,278	100.0	1,129,136	100.0

Goodwill

Our goodwill remained as RMB14.7 million as of 31 December 2019 and 30 June 2020.

Intangible Assets

Intangible assets decreased from RMB1.6 million as of 31 December 2019 to RMB0.8 million as of 30 June 2020, mainly due to the amortisation of intangible assets.

Deferred Tax Assets

The deferred tax assets increased from RMB3.2 million as of 31 December 2019 to RMB6.7 million as of 30 June 2020, mainly due to (i) the increase in the deductible temporary differences before income tax arising from impairment losses on loans and accounts receivable; and (ii) the increase in the fair value adjustments of financial assets at fair value through profit or loss.

Other Assets

Our other assets increased from RMB15.3 million as of 31 December 2019 to RMB30.2 million as of 30 June 2020 primarily due to (i) the prepayment of purchase of properties; and (ii) prepaid income tax. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 30 June 2020 RMB'000	As of 31 December 2019 RMB'000
Reposessed assets	12,002	12,856
Prepaid income tax	7,923	—
Prepayments	7,886	—
Other receivables	1,727	1,692
Deferred and prepaid expenses	343	773
Other	297	—
Total other assets	30,178	15,321

Management Discussion and Analysis (Continued)

Other Payables

Our other payables mainly include value-added tax and surcharges payable, payrolls payable, audit fee, dividend payable and others. As of 31 December 2019 and 30 June 2020, our other payables were RMB12.6 million and RMB39.4 million, respectively. Such increase was primarily due to (i) the increase in dividend payable of RMB34.0 million; (ii) the decrease in payrolls payable of RMB 3.0 million; and (iii) the decrease in deposits of RMB2.3 million.

Indebtedness

Interest-bearing Bank Borrowings

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

	As of 30 June 2020 RMB'000	As of 31 December 2019 RMB'000
Guaranteed bank loans:		
— repayable within one year	50,061	70,108
Total	50,061	70,108

Lease Liabilities

Our lease liabilities decreased from RMB1.6 million as of 31 December 2019 to RMB1.0 million as of 30 June 2020.

Contingent Liabilities

As of 30 June 2020, we had no material contingent liabilities or guarantees.

Capital Expenditures

Our capital expenditures consist primarily of expenditures for purchase of properties. The table sets forth our capital expenditures for the periods indicated:

	For the six months ended 30 June 2020 RMB'000	2019 RMB'000
Capital expenditures		
— Micro-credit business	1,469	2,645
— Finance lease	6,398	—
Total	7,867	2,645

Commitment and Contractual Obligations

Capital Commitments

We had a capital commitment of approximately RMB767,000 and RMB177,000, contracted but not provided for in the financial statements, in respect of a software, as of 31 December 2019 and 30 June 2020 respectively.

Management Discussion and Analysis (Continued)

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from mainland China for the six months ended 30 June 2020.

Off-balance Sheet Arrangements

As of 30 June 2020, we did not have any off-balance sheet arrangements.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no material investments, acquisitions or disposals for the six months ended 30 June 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than bank loans we obtained from commercial banks, we also consider issuing bonds or asset-backed securities in the PRC or conducting income rights transfer and repurchase financing or other investments plans or choices.

Save as disclosed above, our Group had no future plans for material investments or external financing as of 30 June 2020.

CHARGE ON OUR GROUP'S ASSETS

As of 30 June 2020, we did not have any charges on our Group's assets.

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2020, our Group had 82 employees, all of whom were based in Fujian province, the PRC. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As of 30 June 2020, our Group did not involve in any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Listing Rules.

PROSPECTS

The COVID-19 epidemic in 2020 has caused a significant impact on the global economy. The epidemic has expedited the penetration of the internet economy, making the public be more acceptable and accustomed to online service model.

In the first half of 2020, part of our offline operations was affected by the epidemic. In order to better cope with the changing economic and social environment, we will gradually develop online approval based on our information system to carry out online business. After the epidemic abates, we will fully carry out our offline business and adopt a parallel mode of offline and online business.

As a result of the epidemic, we have developed an online training system this year that allows employees to learn at their own time. In addition, we will gradually conduct offline training after the ease of the epidemic.

Other Information

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

As of 30 June 2020, the interests or short positions of the Directors, Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name	Position	Nature of interest	Number of Shares ⁽¹⁾	Percentage in the relevant class of share capital ⁽²⁾	Percentage in the total issued share capital ⁽³⁾
Mr. Zhou Yongwei	Chairman and executive Director	Interest in controlled corporation ⁽⁴⁾	203,932,000 Domestic Shares (L)	40.79%	29.99%
Mr. Jiang Haiying	Non-executive Director	Interest in controlled corporation ⁽⁵⁾	50,000,000 Domestic Shares (L)	10.00%	7.35%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) The calculation is based on the percentage of shareholding in Domestic Shares as of 30 June 2020.
- (3) The calculation is based on the total number of 680,000,000 Shares in issue which comprised of 180,000,000 H Shares and 500,000,000 Domestic Shares as of 30 June 2020.
- (4) Fujian Septwolves Group is directly interested in approximately 40.79% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Fujian Septwolves Group, which is in turn approximately 37.82% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong and approximately 31.09% owned by Mr. Zhou Shaoming. Mr. Zhou Yongwei controls more than one-third of the voting rights of Fujian Septwolves Group and is therefore deemed to be interested in its interest in the Company by virtue of the SFO.
- (5) Quanzhou Haoxiang is directly interested in approximately 10% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang, which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening (a company owned as to 63.33% by Mr. Jiang Haiying), approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by Fujian Huian Haoda. Therefore, Mr. Jiang Haiying is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.

Save as disclosed above, as of 30 June 2020, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the persons or corporations (other than a Director, Supervisor or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholders	Nature of interest	Number of Shares ⁽¹⁾	Percentage in the relevant class of share capital ⁽²⁾	Percentage in the total issued share capital ⁽³⁾
Fujian Septwolves Group	Beneficial owner	203,932,000 Domestic Shares (L)	40.79%	29.99%
Xiamen Gaoxinhong	Beneficial owner	67,932,000 Domestic Shares (L)	13.59%	9.99%
Xiamen Sifang ⁽⁴⁾	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Ms. Zhou Zehui ⁽⁴⁾	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Quanzhou Yuanpeng	Beneficial owner	57,248,000 Domestic Shares (L)	11.45%	8.42%
Wealth Success ⁽⁵⁾	Interest in controlled corporation	57,248,000 Domestic Shares (L)	11.45%	8.42%
Ms. Hong Jingxiao ⁽⁵⁾	Interest in controlled corporation	57,248,000 Domestic Shares (L)	11.45%	8.42%
Fujian Panpan	Beneficial owner	54,458,000 Domestic Shares (L)	10.89%	8.01%
Mr. Cai Jinan ⁽⁶⁾	Interest in controlled corporation	54,458,000 Domestic Shares (L)	10.89%	8.01%

Other Information (Continued)

Shareholders	Nature of interest	Number of Shares ⁽¹⁾	Percentage in the relevant class of share capital ⁽²⁾	Percentage in the total issued share capital ⁽³⁾
Quanzhou Haoxiang	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Fujian Haoxiang Gardening ⁽⁷⁾	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Mr. Cai Jianchu	Beneficial owner	30,954,000 H Shares (L)	17.20%	4.55%
Ms. Hong Erguan	Beneficial owner	29,416,000 H Shares (L)	16.34%	4.33%
Good Rising Investments Limited	Beneficial owner	29,444,361 H Shares (L)	16.36%	4.33%
Pleasant Advent Limited ⁽⁸⁾	Interest in controlled corporation	29,444,361 H Shares (L)	16.36%	4.33%
Ms. Wong Sze Ying Chloe ⁽⁸⁾	Interest in controlled corporation	29,444,361 H Shares (L)	16.36%	4.33%
Mr. Wu Weiqi ⁽⁹⁾	Interest in controlled corporation	20,554,000 H Shares (L)		
	Beneficial owner	8,516,000 H Shares (L)		
		29,070,000 H Shares (L)	16.15%	4.28%
Ms. Cheng Chau Yuet ⁽¹⁰⁾	Beneficial owner	330,000 H Shares (L)		
	Interest of spouse	20,634,000 H Shares (L)		
		20,964,000 H Shares (L)	11.65%	3.08%
Mr. Chong Ming Ting ⁽¹¹⁾	Interest in controlled corporation	20,514,000 H Shares (L)		
	Beneficial owner	120,000 H Shares (L)		
	Interest of spouse ⁽¹²⁾	330,000 H Shares (L)		
		20,964,000 H Shares (L)	11.65%	3.08%
Yue Tai Investment Limited	Beneficial owner	20,554,000 H Shares (L)	11.42%	3.02%
Grand Wealth (HK) Investment Limited	Beneficial owner	20,514,000 H Shares (L)	11.40%	3.02%
Mr. Xu Yingyi	Beneficial owner	11,508,000 H Shares (L)	6.39%	1.69%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares or the H Shares (as the case may be).
- (2) The calculation is based on the percentage of shareholding in Domestic Shares or the H Shares (as the case may be) as of 30 June 2020.
- (3) The calculation is based on the total number of 680,000,000 Shares in issue which comprised of 180,000,000 H Shares and 500,000,000 Domestic Shares as of 30 June 2020.
- (4) The disclosed interest represents the interest in the Company held by Xiamen Gaoxinhong which is in turn approximately 59% owned by Xiamen Sifang, approximately 23% owned by Ms. Zhou Zehui and approximately 28% owned by Ms. Wu Changfeng, and Xiamen Sifang is in turn approximately 95% owned by Ms. Zhou Zehui. Therefore, each of Xiamen Sifang and Ms. Zhou Zehui is deemed to be interested in Xiamen Gaoxinhong’s interest in the Company by virtue of the SFO.
- (5) Quanzhou Yuanpeng is directly interested in approximately 11.45% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng, which is wholly owned by Wealth Success, a company 100% owned by Ms. Hong Jingxiao. Therefore, each of Wealth Success and Ms. Hong Jingxiao is deemed to be interested in Quanzhou Yuanpeng’s interest in the Company by virtue of the SFO.
- (6) The disclosed interest represents the interest in the Company held by Fujian Panpan, which is in turn approximately 80% owned by Mr. Cai Jinan. Therefore, Mr. Cai Jinan is deemed to be interested in Fujian Panpan’s interest in the Company by virtue of the SFO.
- (7) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang, which is in turn approximately 61% owned by Fujian Haoxiang Gardening, approximately 34% owned by Mr. Jiang Haiying and approximately 5% owned by Fujian Huian Haoda. Therefore, Fujian Haoxiang Gardening is deemed to be interested in Quanzhou Haoxiang’s interest in the Company by virtue of the SFO.
- (8) Good Rising Investments Limited is directly interested in approximately 16.36% of the issued H Shares. The disclosed interest represents the interest in the Company held by Good Rising Investments Limited, which is wholly owned by Pleasant Advent Limited, a company 100% owned by Ms. Wong Sze Ying Chloe. Therefore, each of Pleasant Advent Limited and Ms. Wong Sze Ying Chloe is deemed to be interested in Good Rising Investments Limited’s interest in the Company by virtue of the SFO.
- (9) Yue Tai Investment Limited is directly interested in approximately 11.42% of the issued H Shares. The disclosed interest represents the interest in the Company held by Yue Tai Investment Limited, which is wholly owned by Mr. Wu Weiqi. Therefore, Mr. Wu Weiqi is deemed to be interested in Yue Tai Investment Limited’s interest in the Company by virtue of the SFO.
- (10) Ms. Cheng Chau Yuet is deemed to be interested in the 20,634,000 H Shares held by her spouse Mr. Chong Ming Ting by virtue of the SFO.
- (11) The disclosed interest represents the interest in the Company held by Grand Wealth (HK) Investment Limited, which is wholly owned by Mr. Chong Ming Ting. Therefore, Mr. Chong Ming Ting is deemed to be interested in Grand Wealth (HK) Investment Limited’s interest in the Company by virtue of the SFO. In addition, Mr. Chong Ming Ting is deemed to be interested in the 330,000 H Shares held by his spouse Ms. Cheng Chau Yuet by virtue of the SFO.

Save as disclosed above, as of 30 June 2020, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Other Information (Continued)

CORPORATE GOVERNANCE REPORT

Our Group are committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board and the management of the Company has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and reviewed its corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

UPDATES ON DIRECTORS’ AND SUPERVISORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in information of the Directors and Supervisors since the date of the Board meeting approving the 2019 annual report up to the date of the Board meeting approving this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for carrying out securities transactions of the Company by the Directors and Supervisors. After specific enquiry with all Directors and Supervisors, they have confirmed fully compliance with the relevant standards stipulated in the Model Code during the Reporting Period.

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

Our Group has not purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the note 31 to the interim condensed consolidated financial information, no significant event after the Reporting Period needs to be disclosed.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Company, internal controls and financial report matters, and the Company’s policies and practices on corporate governance. The interim report has been reviewed by the Audit Committee and auditor of the Company, Ernst & Young. There is no disagreement by the auditor of the Company or the Audit Committee with the accounting treatment adopted by the Company.

Independent Review Report



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the board of directors of Quanzhou Huixin Micro-credit Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 60, which comprises the condensed consolidated statement of financial position of Quanzhou Huixin Micro-credit Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
25 August 2020

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020
(Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Interest income	5	69,267,800	95,960,240
Interest expense	5	(1,512,413)	(5,183,937)
Interest income, net		67,755,387	90,776,303
Impairment losses on loans and accounts receivable, net	6	(45,158,322)	(22,102,708)
Operating and administrative expenses		(12,675,110)	(14,765,302)
Foreign exchange gain, net		126,337	15,862
Other income and gains, net	7	4,934,219	1,246,731
Share of profit of an associate		—	2,974,056
PROFIT BEFORE TAX	8	14,982,511	58,144,942
Income tax expense	9	(3,615,462)	(13,699,007)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		11,367,049	44,445,935
Attributable to:			
Owners of the parent		6,463,136	41,644,547
Non-controlling interests		4,903,913	2,801,388
		11,367,049	44,445,935
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		0.01	0.06
Diluted		0.01	0.06

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Cash and cash equivalents	12	45,118,291	36,118,840
Securities purchased under agreements to re-sell		—	29,900,000
Financial assets at fair value through profit or loss	13	277,851,700	118,278,528
Loans and accounts receivable	14	904,313,491	1,098,824,186
Property and equipment	15	563,772	920,820
Right-of-use assets	16	1,037,805	1,930,175
Goodwill	17	14,729,281	14,729,281
Other intangible assets	18	848,284	1,583,360
Deferred tax assets	19	6,678,679	3,182,693
Other assets	20	30,178,137	15,320,526
TOTAL ASSETS		1,281,319,440	1,320,788,409
LIABILITIES			
Interest-bearing bank borrowings	21	50,060,625	70,108,074
Lease liabilities	16	1,011,507	1,647,345
Income tax payable		2,301,262	7,440,617
Deferred tax liabilities	19	1,075,162	116,477
Other payables	22	39,394,045	12,610,106
TOTAL LIABILITIES		93,842,601	91,922,619
NET ASSETS		1,187,476,839	1,228,865,790
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	680,000,000	680,000,000
Reserves	24	143,154,528	143,154,528
Retained profits		229,707,373	257,244,237
Equity attributable to owners of the parent		1,052,861,901	1,080,398,765
Non-controlling interests		134,614,938	148,467,025
TOTAL EQUITY		1,187,476,839	1,228,865,790

Wu Zhirui
Director

Yan Zhijiang
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020
(Amounts expressed in RMB unless otherwise stated)

	For the six months ended 30 June 2020 (Unaudited)							
	Attributable to owners of the parent							
	Reserves						Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total		
At 1 January 2020 (Audited)	680,000,000	69,383,972	57,494,289	16,276,267	257,244,237	1,080,398,765	148,467,025	1,228,865,790
Net profit and total comprehensive income for the period	—	—	—	—	6,463,136	6,463,136	4,903,913	11,367,049
Distribution to shareholders (Note 10)	—	—	—	—	(34,000,000)	(34,000,000)	(18,756,000)	(52,756,000)
Balance as at 30 June 2020 (Unaudited)	680,000,000	69,383,972	57,494,289	16,276,267	229,707,373	1,052,861,901	134,614,938	1,187,476,839

	For the six months ended 30 June 2019 (Unaudited)							
	Attributable to owners of the parent							
	Reserves						Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total		
At 1 January 2019 (Audited)	680,000,000	69,383,972	52,231,032	15,355,594	233,006,220	1,049,976,818	16,249,963	1,066,226,781
Net profit and total comprehensive income for the period	—	—	—	—	41,644,547	41,644,547	2,801,388	44,445,935
Appropriation to general reserve	—	—	—	920,673	(920,673)	—	—	—
Distribution to shareholders	—	—	—	—	(34,000,000)	(34,000,000)	—	(34,000,000)
Capital injection by non-controlling shareholders	—	—	—	—	—	—	20,000,000	20,000,000
Acquisition of subsidiaries	—	—	—	—	—	—	122,465,293	122,465,293
Balance as at 30 June 2019 (Unaudited)	680,000,000	69,383,972	52,231,032	16,276,267	239,730,094	1,057,621,365	161,516,644	1,219,138,009

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020
(Amounts expressed in RMB unless otherwise stated)

		Six months ended 30 June	
	Notes	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		14,982,511	58,144,942
Adjustments for:			
Share of profit of an associate		—	(2,974,056)
Depreciation of property and equipment		385,898	394,412
Depreciation of repossessed assets		551,429	—
Depreciation of right-of-use assets		892,370	904,365
Rent concessions		(101,533)	—
Amortisation of other intangible assets		735,076	725,831
Impairment of loans and accounts receivable		45,158,322	22,102,708
Accreted interest on impaired loans		(4,815,121)	(4,138,782)
Foreign exchange gain, net		(126,337)	(15,862)
Loss/(gain) on disposal of items of property and equipment		9,133	(21,559)
Interest expense	5	1,512,413	5,183,937
Increase in financial assets at fair value through profit or loss		(159,573,172)	(45,410,000)
Decrease in securities purchased under agreements to re-sell		29,900,000	—
Decrease/(increase) in loans and accounts receivable		154,023,496	(49,737,819)
Increase in other assets		(2,596,708)	(895,246)
(Decrease)/increase in other payables		(6,910,083)	1,007,240
Net cash flows from/(used in) operating activities before tax		74,027,694	(14,729,889)
Income tax paid		(19,214,744)	(19,433,924)
Net cash flows from/(used in) operating activities		54,812,950	(34,163,813)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		(7,867,389)	(24,751)
Disposal of items of property and equipment		223,000	30,000
Dividends received from an associate		—	7,185,000
Acquisition of subsidiaries		—	12,503,825
Disposal of a subsidiary		536,586	—
Net cash flows (used in)/from investing activities		(7,107,803)	19,694,074
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		—	20,000,000
New bank borrowings		50,000,000	20,000,000
Repayment of bank borrowings		(70,000,000)	(50,000,000)
Interest paid		(1,516,375)	(5,157,593)
Principal portion lease payments		(577,792)	(1,002,560)
Dividends paid to non-controlling shareholders		(18,756,000)	—
Net cash flows used in financing activities	25	(40,850,167)	(16,160,153)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		36,118,840	51,717,811
Effect of foreign exchange rate changes, net		126,337	15,862
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	12	43,100,157	21,103,781

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

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

During the period, the principal activity of the Company and its subsidiaries (collectively referred to as the “**Group**”) was the provision of loans to small and medium enterprises (“**SMEs**”), microenterprises and entrepreneurial individuals, as well as the provision of automobile finance lease and investment consulting services.

Information about subsidiaries

The particulars of the Company’s subsidiaries are as follows:

Name	Place of incorporation and kind of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company		Principal activities and place of operation
				Direct	Indirect	
Quanzhou Huixinxing Investment Co., Ltd.	Quanzhou, China Corporation	Renminbi (“ RMB ”) 50,000,000	RMB 50,000,000	100%	—	Investment advisory service, Quanzhou
Quanzhou Lianche Finance Leasing Co., Ltd. (泉州市連車融資租賃有限公司) (“ Lianche ”)	Quanzhou, China Corporation	United States dollars (“ USD ”) 10,000,000	USD 10,000,000	—	75%	Finance leasing, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd. (晉江市匯鑫小額貸款有限公司) (“ JJHX ”)	Jinjiang, China, Corporation	RMB 200,000,000	RMB 200,000,000	47.9%	—	Provision of micro-credit, Jinjiang
Jinjiang Qiding Building Materials Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Wholesale of building materials, Jinjiang
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Information technology advisory service, Jinjiang
Hong Kong Huixinhang Co., Limited	Hong Kong, China Corporation	Hong Kong dollars (“ HKD ”) 10,000,000	—	—	100%	Investment advisory service, Hong Kong
Fujian Huichangfu Real Estate Agency Co., Ltd.	Jinjiang, China Corporation	RMB 10,000,000	RMB 500,000	—	100%	Estate brokerage services, Jinjiang
Xiamen Anshenghe Trading Co., Ltd.	Xiamen, China Corporation	RMB 5,078,000	RMB 5,078,000	—	100%	Wholesale, Xiamen
Jinjiang Qinyuan Investment Consulting Co., Ltd.	Jinjiang, China Corporation	RMB 5,000,000	RMB 500,000	—	100%	Investment advisory service, Jinjiang

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3

Definition of a Business

Amendments to HKFRS 9, HKAS 39 and HKFRS 7

Interest Rate Benchmark Reform

Amendment to HKFRS 16

COVID-19-Related Rent Concessions

Amendments to HKAS 1 and HKAS 8

Definition of Material

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the novel coronavirus (the “COVID-19”) pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 June 2020, certain monthly lease payments for the leases of the Group’s office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the six months ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB101,533 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six months ended 30 June 2020.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group’s interim condensed consolidated financial information.

4. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) The micro-credit business provides credit facilities to SMEs, microenterprises and entrepreneurial individuals; and
- (b) The finance lease business is primarily engaged in providing automobile lease service for SMEs and individuals.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss.

Segment revenue, results and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

4. SEGMENT REPORTING (Continued)

Six months ended 30 June 2020	Micro-credit business	Finance lease business	Total
Segment revenue			
Interest income	67,529,274	1,738,526	69,267,800
Interest expense	(1,508,196)	(4,217)	(1,512,413)
Interest income, net	66,021,078	1,734,309	67,755,387
Segment results	10,710,203	656,846	11,367,049
Segment assets	1,212,080,625	69,238,815	1,281,319,440
Segment liabilities	93,006,932	835,669	93,842,601
Other segment Information			
Net charge/(reversal) of the impairment losses on loans and accounts receivable, net	45,169,537	(11,215)	45,158,322
Depreciation and amortisation	2,384,217	180,556	2,564,773
Capital expenditure*	1,468,998	6,398,391	7,867,389
Six months ended 30 June 2019	Micro-credit business	Finance lease business	Total
Segment revenue			
Interest income	93,133,624	2,826,616	95,960,240
Interest expense	(5,173,366)	(10,571)	(5,183,937)
Interest income, net	87,960,258	2,816,045	90,776,303
Segment results	43,256,561	1,189,374	44,445,935
Segment assets	1,384,583,650	67,657,607	1,452,241,257
Segment liabilities	231,634,868	1,468,380	233,103,248
Other segment Information			
Net charge/(reversal) of the Impairment losses on loans and accounts receivable, net	22,124,873	(22,165)	22,102,708
Share of profit of an associate	2,974,056	—	2,974,056
Depreciation and amortisation	1,772,202	252,406	2,024,608
Capital expenditure*	2,645,118	—	2,645,118

* Capital expenditure consists of additions to property and equipment and intangible assets and the prepayments for such assets.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

4. SEGMENT REPORTING (Continued)

Geographical information

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

5. INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Interest income on:		
Loans and accounts receivable	69,267,800	95,960,240
Interest expense on:		
Bank loans	(1,468,926)	(5,095,880)
Lease liabilities	(43,487)	(88,057)
Interest income, net	67,755,387	90,776,303

6. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLE

The table below shows the expected credit loss ("ECL") charges on the financial instruments for the period recorded in profit or loss:

Six months ended 30 June 2020	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	290,550	1,914,591	42,953,181	45,158,322
Total impairment loss	290,550	1,914,591	42,953,181	45,158,322

Six months ended 30 June 2019	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	(7,467,128)	5,624,679	23,945,157	22,102,708
Total impairment loss	(7,467,128)	5,624,679	23,945,157	22,102,708

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020
(Amounts expressed in RMB unless otherwise stated)

7. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2020	2019
Government grants	513,000	—
Gains on disposals of financial assets at fair value through profit or loss	3,301,619	975,703
Interest from bank deposits	115,193	84,774
(Loss)/gain on disposal of items of property and equipment	(9,133)	21,559
Fair value gains on financial assets at fair value through profit or loss	294,354	—
Others	719,186	164,695
Total	4,934,219	1,246,731

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
Depreciation and amortisation	2,564,773	2,024,608
Staff costs:		
Salaries, bonuses and allowances	5,860,478	6,020,242
Other social welfare	701,373	1,067,954
Impairment losses on loans and accounts receivable	45,158,322	22,102,708
Consulting fee	974,390	1,376,489
Auditor's remuneration	464,567	486,835

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
Current income tax	6,152,763	13,669,827
Deferred income tax	(2,537,301)	29,180
Total	3,615,462	13,699,007

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

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

	Six months ended 30 June	
	2020	2019
Profit before tax	14,982,511	58,144,942
Tax at the applicable tax rate of 25%	3,745,627	14,536,236
Lower tax rate for specific provinces or enacted by local authority	(183,348)	—
Tax effect of income not subject to tax	—	(743,514)
Tax effect of expenses not deductible for tax purposes	50,845	28,729
Adjustment for prior year tax expense	(46,751)	(89,625)
Tax losses utilised from previous periods	—	(32,921)
Tax losses not recognised	49,089	102
Total tax expense for the period at the Group's effective tax rate	3,615,462	13,699,007

10. DIVIDENDS

A dividend of RMB0.05 per ordinary share in respect of the profit for the year ended 31 December 2019 amounting to RMB34.0 million was approved at the annual general meeting held on 12 June 2020. The dividend of RMB34.0 million was undistributed and recorded in other liabilities as at 30 June 2020. Such dividend was distributed on 17 August 2020.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

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

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

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

	Six months ended 30 June	
	2020	2019
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	6,463,136	41,644,547
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	680,000,000	680,000,000
Basic and diluted earnings per share	0.01	0.06

12. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash on hand	39,811	32,932
Cash at banks	44,967,198	36,052,503
Cash equivalents	111,282	33,405
Cash and cash equivalents in the statement of financial position	45,118,291	36,118,840
Less: current deposit in a restricted account	(2,018,134)	—
Cash and cash equivalents in the statement of cash flow	43,100,157	36,118,840

At the end of the reporting period, the cash and bank balances of the Group denominated in USD amounted to RMB8,622,372 (31 December 2019: RMB9,138,624). Cash at banks earns interest at floating rates based on daily bank deposit rates.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2020	31 December 2019
At fair value through profit or loss			
Wealth management products	(a)	135,447,946	47,820,000
Listed equity investments	(b)	116,973,499	44,528,525
Listed funds		6,786,085	6,000,000
Designated as at fair value through profit or loss			
Other unlisted investments	(c)	18,644,170	19,930,003
		277,851,700	118,278,528

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

14. LOANS AND ACCOUNTS RECEIVABLE

	30 June 2020	31 December 2019
Loans receivable	927,278,143	1,129,136,307
Lease receivables	24,428,892	39,228,856
Less: Unearned finance income	(1,904,102)	(3,746,939)
Net lease receivables	22,524,790	35,481,917
Less: Allowance for impairment		
— Individually assessed	(20,928,859)	(43,438,596)
— Collectively assessed	(24,560,583)	(22,355,442)
Total	904,313,491	1,098,824,186

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020
(Amounts expressed in RMB unless otherwise stated)

14. LOANS AND ACCOUNTS RECEIVABLE (Continued)

The table below shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating system and period-end stage classification. The amounts presented are the gross carrying amount of loans and accounts receivable.

	30 June 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Net lease receivables				
Performing	22,166,639	—	—	22,166,639
Non-performing	—	—	358,151	358,151
Loans receivable				
Performing (i)	617,864,341	221,850,443	—	839,714,784
Non-performing (ii)	—	—	87,563,359	87,563,359
Total	640,030,980	221,850,443	87,921,510	949,802,933

	31 December 2019			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Net lease receivables				
Performing	35,297,942	—	—	35,297,942
Non-performing	—	—	183,975	183,975
Loans receivable				
Performing (i)	732,590,133	323,239,966	—	1,055,830,099
Non-performing (ii)	—	—	73,306,208	73,306,208
Total	767,888,075	323,239,966	73,490,183	1,164,618,224

(i) Performing loans are collectively assessed for impairment.

(ii) Non-performing loans to customers include those with objective evidence of impairment.

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 30 June 2020, 30.3% (31 December 2019: 38.8%) of loans receivable were guaranteed loans, and 69.2% (31 December 2019: 60.7%) of loans receivable were collateral-backed loans.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

14. LOANS AND ACCOUNTS RECEIVABLE (Continued)

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

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2019	969,949,014	48,481,169	54,950,910	1,073,381,093
New	2,941,661,963	—	—	2,941,661,963
Derecognised (excluding write-off)	(2,942,741,008)	(101,344,191)	(22,244,705)	(3,066,329,904)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(303,537,467)	303,537,467	—	—
Transfer to Stage 3	(3,762,095)	(23,106,078)	26,868,173	—
Write-off	—	—	(31,387,529)	(31,387,529)
Acquisition of a subsidiary	106,317,668	95,671,599	45,303,334	247,292,601
At 31 December 2019	767,888,075	323,239,966	73,490,183	1,164,618,224
New	635,389,556	—	—	635,389,556
Derecognised (excluding write-off)	(750,254,172)	(35,858,473)	(3,444,405)	(789,557,050)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(12,734,898)	12,734,898	—	—
Transfer to Stage 3	(257,581)	(78,265,948)	78,523,529	—
Write-off	—	—	(60,647,797)	(60,647,797)
At 30 June 2020	640,030,980	221,850,443	87,921,510	949,802,933

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

14. LOANS AND ACCOUNTS RECEIVABLE (Continued)

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

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2019	13,203,251	4,232,102	18,960,642	36,395,995
Net charge/(reversal) of the impairment	(6,189,087)	(8,193,623)	37,104,932	22,722,222
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(4,231,765)	4,231,765	—	—
Transfer to Stage 3	(52,676)	(284,673)	337,349	—
Accreted interest on impaired loans	—	—	(8,626,419)	(8,626,419)
Impact on period end ECL of exposures transferred between stages during the period	—	12,938,542	2,168,033	15,106,575
Write-off	—	—	(31,387,529)	(31,387,529)
Acquisition of a subsidiary	1,516,207	5,185,399	24,881,588	31,583,194
At 31 December 2019	4,245,930	18,109,512	43,438,596	65,794,038
Net charge of the impairment	370,411	5,567,836	28,591,122	34,529,369
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(76,508)	76,508	—	—
Transfer to Stage 3	(3,353)	(4,709,398)	4,712,751	—
Accreted interest on impaired loans	—	—	(4,815,121)	(4,815,121)
Impact on period end ECL of exposures transferred between stages during the period	—	979,645	9,649,308	10,628,953
Write-off	—	—	(60,647,797)	(60,647,797)
At 30 June 2020	4,536,480	20,024,103	20,928,859	45,489,442

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

14. LOANS AND ACCOUNTS RECEIVABLE (Continued)

The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following consecutive accounting years:

	30 June 2020	31 December 2019
Lease receivables:		
Due within 1 year	19,892,420	26,465,686
Due in 1 to 2 years	4,499,369	11,913,752
Due in 2 to 3 years	37,103	849,418
	24,428,892	39,228,856
	30 June 2020	31 December 2019
Net lease receivables:		
Due within 1 year	18,198,817	23,469,421
Due in 1 to 2 years	4,289,941	11,193,980
Due in 2 to 3 years	36,032	818,516
	22,524,790	35,481,917

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that was needed to be recorded as at the end of the reporting period.

15. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:				
At 1 January 2019	986,809	1,436,280	2,725,356	5,148,445
Additions	—	30,608	421	31,029
Acquisition of a subsidiary	703,268	109,944	—	813,212
Disposals	(157,176)	(4,600)	—	(161,776)
At 31 December 2019	1,532,901	1,572,232	2,725,777	5,830,910
Additions	—	28,850	—	28,850
At 30 June 2020	1,532,901	1,601,082	2,725,777	5,859,760

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

15. PROPERTY AND EQUIPMENT (Continued)

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Accumulated depreciation:				
At 1 January 2019	745,830	788,108	2,065,657	3,599,595
Depreciation charge for the year	112,717	355,018	322,802	790,537
Acquisition of a subsidiary	573,794	99,851	—	673,645
Disposals	(149,317)	(4,370)	—	(153,687)
At 31 December 2019	1,283,024	1,238,607	2,388,459	4,910,090
Depreciation charge for the period	58,974	165,581	161,343	385,898
At 30 June 2020	1,341,998	1,404,188	2,549,802	5,295,988
Net carrying amount:				
At 30 June 2020	190,903	196,894	175,975	563,772
At 31 December 2019	249,877	333,625	337,318	920,820

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

16. LEASES (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

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

	Properties
At 1 January 2019	3,269,227
Additions	304,398
Acquisition of a subsidiary	183,235
Depreciation charge	(1,826,685)
At 31 December 2019	1,930,175
Depreciation charge	(892,370)
At 30 June 2020	1,037,805

(b) Lease liabilities

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

	Lease liabilities
Carrying amount at 1 January 2019	3,287,322
New leases	250,363
Additions as a result of acquisition of a subsidiary	122,135
Accretion of interest recognised during the year	160,976
Payments	(2,173,451)
Carrying amount at 31 December 2019	1,647,345
Accretion of interest recognised during the period	43,487
Reduction arising from the rent concessions	(101,533)
Payments	(577,792)
Carrying amount at 30 June 2020	1,011,507

The maturity analysis of lease liabilities is disclosed in note 29 to the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

16. LEASES (Continued)

The Group as a lessee (Continued)

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

	Six months ended 30 June 2020
Interest on lease liabilities	43,487
Depreciation charge of right-of-use assets	892,370
Rent concessions	(101,533)
Total amount recognised in profit or loss	834,324

(d) The total cash outflow for leases is disclosed in note 25(b) to the interim condensed consolidated financial information. At 30 June 2020, there were no future cash outflows relating to leases that have not yet commenced.

17. GOODWILL

At 1 January 2019:	
Cost and net carrying amount	2,221,017
Cost at 1 January 2019, net of accumulated impairment	2,221,017
Acquisition of a subsidiary	14,729,281
Impairment during the year	(2,221,017)
At 31 December 2019:	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281
Cost at 1 January 2020 and at 30 June 2020, net of accumulated impairment	14,729,281
At 30 June 2020:	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

18. OTHER INTANGIBLE ASSETS

	Software
Cost:	
At 1 January 2019	1,234,400
Additions	2,895,022
Acquisition of a subsidiary	22,700
At 31 December 2019	4,152,122
Disposals	(280,000)
At 30 June 2020	3,872,122
Accumulated amortisation:	
At 1 January 2019	1,094,400
Acquisition of a subsidiary	22,700
Charge for the year	1,451,662
At 31 December 2019	2,568,762
Charge for the period	735,076
Disposals	(280,000)
At 30 June 2020	3,023,838
Net carrying amount:	
At 30 June 2020	848,284
At 31 December 2019	1,583,360

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

19. DEFERRED TAX

The movements in the deferred tax assets are as follows:

Gross deferred tax assets

	Impairment allowance on loans	Fair value adjustments of financial assets at fair value through profit or loss	Recoverable Loss	Total
At 1 January 2019	2,116,411	—	—	2,116,411
Recognised in profit or loss	(172,158)	33,382	380	(138,396)
Acquisition of subsidiaries	1,205,058	—	—	1,205,058
At 31 December 2019	3,149,311	33,382	380	3,183,073
Recognised in profit or loss	2,586,384	909,602	(380)	3,495,606
At 30 June 2020	5,735,695	942,984	—	6,678,679

Gross deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss	Total
At 1 January 2019	—	—
Recognised in profit or loss	116,857	116,857
At 31 December 2019	116,857	116,857
Recognised in profit or loss	958,305	958,305
At 30 June 2020	1,075,162	1,075,162

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

19. DEFERRED TAX (Continued)

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

	30 June 2020	31 December 2019
Net deferred tax assets recognised in the interim condensed consolidated statement of financial position	6,678,679	3,182,693
Net deferred tax liabilities recognised in the interim condensed consolidated statement of financial position	1,075,162	116,477

The Group has unrecognised tax losses arising in mainland China of RMB232,460 (2019: RMB36,104) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

20. OTHER ASSETS

	Notes	30 June 2020	31 December 2019
Reposessed assets	(a)	12,002,261	12,855,969
Prepaid income tax		7,922,625	—
Prepayments	(b)	7,886,330	—
Other receivables		1,726,725	1,691,324
Deferred and prepaid expenses		342,824	773,233
Other		297,372	—
		30,178,137	15,320,526

- (a) Reposessed assets are properties located at Quanzhou, Fujian Province and Weihai, Shandong Province in the PRC. The contracts to effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2019: RMB8,060,000) have not been obtained because these properties are still under development.
- (b) During the six months ended 30 June 2020, the Group made an advance payment of RMB7,886,330 to purchase certain units of an office building located at Jinjiang, China. As of 30 June 2020, the transfer of the property title has not been completed.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020
(Amounts expressed in RMB unless otherwise stated)

21. INTEREST-BEARING BANK BORROWINGS

	30 June 2020	31 December 2019
Guaranteed bank loans repayable: Within one year	50,060,625	70,108,074

As at 30 June 2020, the annual interest rate of the loans above was 4.850% (31 December 2019: 5.434%).

The interest-bearing bank borrowings of RMB50 million as at 30 June 2020 were guaranteed by the holding company, Fujian Septwolves Group Co., Ltd. ("Septwolves Group").

22. OTHER PAYABLES

	30 June 2020	31 December 2019
Dividend payable	34,000,000	—
Payrolls payable	1,934,021	4,888,981
Deposits	1,410,160	3,739,241
Value-added tax, and surcharges payable	1,266,434	1,646,239
Others	783,430	2,335,645
	39,394,045	12,610,106

23. SHARE CAPITAL

	30 June 2020	31 December 2019
Issued and fully paid ordinary shares of RMB1.00 each	680,000,000	680,000,000

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

24. RESERVES

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

Capital reserve

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

Surplus reserve

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

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

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

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

General reserve

In accordance with the relevant regulations, the Company is required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets before 30 June 2020. Such reserve is not available for profit distribution or transfer to capital. As at 30 June 2020, the balance of the general reserve of the Company was RMB16.3 million, more than 1.5% of its risk assets.

Distributable profit

Pursuant to the resolution of the board of directors of the Company passed on 26 March 2020, a final dividend of approximately RMB34.0 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of the statutory surplus reserve and general reserve and was approved by shareholders of the Company at the annual general meeting held on 12 June 2020.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020
(Amounts expressed in RMB unless otherwise stated)

25. NOTE TO THE INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders
At 1 January 2019	200,336,825	3,287,322	—
Changes from financing cash flows	(35,157,593)	(1,002,560)	—
2018 final dividends payable	—	—	34,000,000
Acquisition of a subsidiary	—	122,136	—
Interest expense	5,095,880	88,057	—
At 30 June 2019	170,275,112	2,494,955	34,000,000

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders	Amounts due to non-controlling shareholders
At 1 January 2020	70,108,074	1,647,345	—	—
Changes from financing cash flows	(21,516,375)	(577,792)	—	(18,756,000)
Rent concessions	—	(101,533)	—	—
2019 final dividends payable	—	—	34,000,000	18,756,000
Interest expense	1,468,926	43,487	—	—
At 30 June 2020	50,060,625	1,011,507	34,000,000	—

(b) Total cash outflow for leases

During the period, the total cash outflow for leases of RMB679,325 was within financing activities.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

26. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
Salaries and other short-term employee benefits	1,021,192	1,277,506

(b) Loan guarantee

The interest-bearing bank borrowings of RMB50.0 million as at 30 June 2020 were guaranteed by Septwolves Group. The guarantee fee of RMB103,106 was accrued during the period, which was based on a fixed rate of the balance of the interest-bearing bank borrowings.

(c) Loan facilitation services

For the six months ended 30 June 2020, the Group provided loan facilitation service to a related party, Fujian Yuanheng Pegadaian Co., Ltd. which generated other revenue of RMB19,077, with no outstanding balance at 30 June 2020.

(d) Lease and property management fee

The Group has signed a lease agreement with Xiamen Septwolves Asset Management Co., Ltd.* (廈門七匹狼資產管理有限公司) ("**Septwolves AMC**"), a subsidiary of Septwolves Group. For the six months ended 30 June 2020, the Group paid Septwolves AMC RMB60,000 for the rent.

During the period, the property management fee of RMB17,533 was paid to Xiamen Huakaifugui Property Management Co., Ltd.* (廈門花開富貴物業管理有限公司), a subsidiary of Septwolves Group.

(e) Outstanding balances with related parties

As at 30 June 2020, the Group had an outstanding balance due to Septwolves Group, amounting to RMB66,611. The balance is unsecured and interest-free.

27. CONTINGENT LIABILITIES

As at 30 June 2020, there were no significant contingent liabilities.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020
(Amounts expressed in RMB unless otherwise stated)

28. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020	31 December 2019
Contracted, but not provided for: Software	177,000	767,000

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	30 June 2020					Total
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash equivalents	45,118,291	—	—	—	—	45,118,291
Financial assets at fair value through profit or loss	259,207,530	—	—	—	18,644,170	277,851,700
Loans and accounts receivable	—	72,853,186	242,954,247	492,148,619	96,357,439	904,313,491
Property and equipment	—	—	—	—	563,772	563,772
Right-of-use assets	—	—	—	—	1,037,805	1,037,805
Goodwill	—	—	—	—	14,729,281	14,729,281
Other intangible assets	—	—	—	—	848,284	848,284
Deferred tax assets	—	—	—	—	6,678,679	6,678,679
Other assets	22,669	—	8,192,109	8,954,364	13,008,995	30,178,137
Subtotal	304,348,490	72,853,186	251,146,356	501,102,983	151,868,425	1,281,319,440
Liabilities:						
Interest-bearing bank borrowings	—	—	50,060,625	—	—	50,060,625
Lease liabilities	—	—	477,676	533,831	—	1,011,507
Income tax payable	—	—	2,301,262	—	—	2,301,262
Deferred tax liabilities	—	—	—	—	1,075,162	1,075,162
Other payables	—	—	37,983,885	810,160	600,000	39,394,045
Subtotal	—	—	90,823,448	1,343,991	1,675,162	93,842,601
Net	304,348,490	72,853,186	160,322,908	499,758,992	150,193,263	1,187,476,839

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

	31 December 2019					Total
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash equivalents	36,118,840	—	—	—	—	36,118,840
Financial assets held under resale agreements	—	—	29,900,000	—	—	29,900,000
Financial assets at fair value through profit or loss	47,820,000	—	—	—	70,458,528	118,278,528
Loans and accounts receivable	—	37,915,481	228,360,987	633,746,370	198,801,348	1,098,824,186
Property and equipment	—	—	—	—	920,820	920,820
Right-of-use assets	—	—	—	—	1,930,175	1,930,175
Goodwill	—	—	—	—	14,729,281	14,729,281
Other intangible assets	—	—	—	—	1,583,360	1,583,360
Deferred tax assets	—	—	—	—	3,182,693	3,182,693
Other assets	533,817	—	525,321	1,063,744	13,197,644	15,320,526
Subtotal	84,472,657	37,915,481	258,786,308	634,810,114	304,803,849	1,320,788,409
Liabilities:						
Interest-bearing bank borrowings	—	—	20,108,074	50,000,000	—	70,108,074
Lease liabilities	—	—	245,467	1,222,157	179,721	1,647,345
Income tax payable	—	—	7,440,617	—	—	7,440,617
Deferred tax liabilities	—	—	—	—	116,477	116,477
Other payables	—	—	9,510,106	—	3,100,000	12,610,106
Subtotal	—	—	37,304,264	51,222,157	3,396,198	91,922,619
Net	84,472,657	37,915,481	221,482,044	583,587,957	301,407,651	1,228,865,790

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

The Group invests in wealth management products issued by banks in mainland China. The Group has estimated the fair values of these wealth management products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets at fair value through profit or loss	259,207,530	—	18,644,170	277,851,700

As at 31 December 2019	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets at fair value through profit or loss	92,348,525	6,000,000	19,930,003	118,278,528

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 (31 December 2019: Nil).

During the six months ended 30 June 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets (For the six months ended 30 June 2019: Nil).

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy (Continued)

Important unobservable input value in fair value measurement of Level 3

As at 30 June 2020	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Other unlisted investment	10,116,205	Adjusted recent transaction price	N/A	N/A
Other unlisted investment	8,527,965	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value

As at 31 December 2019	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Other unlisted investment	12,727,300	Recent transaction price	N/A	N/A
Other unlisted investment	7,202,703	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value

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

	2020	2019
Financial assets at fair value through profit or loss		
At 1 January	19,930,003	—
Acquisition of a subsidiary	—	6,764,811
Total gains recognised in profit or loss	(1,285,833)	—
At 30 June	18,644,170	6,764,811

31. EVENTS AFTER THE REPORTING PERIOD

On 19 August 2020, the Supreme People's Court of the PRC issued amendments on the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the "Amendments") with effective from 20 August 2020. According to the Amendments, if interest rate of private lending exceeds four times of the then current loan prime rate when the contract was entered into, the lender's request on the excess interest will not be supported by the courts. The Group is currently assessing the impact of the Amendments.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020
(Amounts expressed in RMB unless otherwise stated)

32. INTERIM STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the interim statement of financial position of the Company at the end of the reporting period is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS		
Cash and cash equivalents	34,920,451	4,810,669
Financial assets at fair value through profit or loss	47,976,205	12,727,300
Loans and accounts receivable	676,798,600	845,096,485
Property and equipment	363,010	611,017
Right-of-use assets	864,914	1,541,987
Investments in subsidiaries	177,322,133	177,322,133
Intangible assets	848,284	1,583,360
Deferred tax assets	5,715,197	2,339,106
Other assets	190,142,215	103,906,663
TOTAL ASSETS	1,134,951,009	1,149,938,720
LIABILITIES		
Interest-bearing bank borrowings	50,060,625	70,108,074
Lease liabilities	895,293	1,379,032
Income tax payable	—	2,130,731
Other payables	37,567,259	8,134,023
TOTAL LIABILITIES	88,523,177	81,751,860
NET ASSETS	1,046,427,832	1,068,186,860
EQUITY		
Share capital	680,000,000	680,000,000
Reserves	143,154,528	143,154,528
Retained profits	223,273,304	245,032,332
TOTAL EQUITY	1,046,427,832	1,068,186,860

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2020

(Amounts expressed in RMB unless otherwise stated)

32. INTERIM STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2019	69,383,972	52,231,032	15,355,594	136,970,598
Appropriation to surplus reserve	—	5,263,257	—	5,263,257
Appropriation to general reserve	—	—	920,673	920,673
Balance as at 31 December 2019, 1 January 2020 and 30 June 2020	69,383,972	57,494,289	16,276,267	143,154,528

33. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated financial information has been approved and authorised for issue by the Company's board of directors on 25 August 2020.