



CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

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



INTERIM REPORT 2020

We are committed to making financial services everywhere

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

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



CONTENTS

Corporate Information	02
Financial Summary	04
Management Discussion and Analysis	05
Other Information	21
Report on Review of Interim Financial Information	29
Interim Condensed Consolidated Statement of Comprehensive Income	30
Interim Condensed Consolidated Statement of Financial Position	31
Interim Condensed Consolidated Statement of Changes in Equity	33
Interim Condensed Consolidated Statement of Cash Flows	35
Notes to the Interim Condensed Consolidated Financial Information	36
Definitions	76

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMMITTEE COMPOSITION

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Technology Finance Business Committee

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

JOINT COMPANY SECRETARIES

Mr. Chai Kun¹
Miss Leung Ching Ching

AUTHORISED REPRESENTATIVES

Mr. Wu Min
Miss Leung Ching Ching

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

¹ Mr. Chai Kun has been appointed as a joint company secretary of the Company with effect from 20 April 2020.

CORPORATE INFORMATION (Continued)

PRINCIPAL BANKS

Jiangsu Bank, Suzhou Branch
Suzhou Bank, Suzhou Branch

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

Mayer Brown
Haiwen & Partners

COMPANY'S WEBSITE

www.cnhuirong.com

STOCK CODE

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

Stock Code 01290

FINANCIAL SUMMARY

	Six Months Ended 30 June		
	2020 RMB'000	2019 RMB'000	Change %
Operating Results			
Operating income	138,174	178,659	-23%
Operating expenses	22,832	41,968	-46%
Profit attributable to owners of the Company	893	31,141	-97%
Basic earnings per share (RMB Yuan)	0.001	0.029	-97%
Financial Position			
	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000	Change %
Total assets	2,525,818	3,001,631	-16%
Loans to customers	1,803,589	1,703,704	6%
Cash at bank and cash on hand	518,150	1,047,858	-51%
Net assets	1,936,908	1,948,444	-1%

MANAGEMENT DISCUSSION AND ANALYSIS

With the goal of achieving nationwide business coverage, the Company has fully leveraged its status as a listed company in Hong Kong and its access to the international capital markets and implemented the dual-driver strategy of “inclusive finance and technology finance”, for striving to offer comprehensive financial services to small and medium enterprises (“SMEs”) and individual clients as well as offer quality and safe financial assets to investors and financial institutions. As our brand has been well recognised by the public with our stable asset quality and our continuously improved profitability, we have gradually developed into a company that offers comprehensive fin-tech services.

In 2020, as the COVID-19 pandemic has swept the globe, the Company’s business operation has undergone slowdown accordingly which resulted in a decrease in revenue. Encountering such a difficult situation brought by the pandemic, the management has actively reduced costs and expenses, enhanced budget management and strictly controlled the expenditures. As a result, a significant drop in administrative expenses and financial costs has been achieved as compared with corresponding period; however, it still could not completely offset the impact of decreased revenue on profit-making. With a significant improvement of the pandemic situation in Mainland China, the situation of the Company’s business operation has demonstrated a tendency of stability and recovery. The management believes that pursuing the original development strategies will create sustainable and sound value contributions for the Shareholders.

1. BUSINESS REVIEW AND DEVELOPMENT

1.1 Inclusive Finance Business Division

Inclusive finance business division conducts its business through platforms such as Suzhou Wuzhong Pawnshop Co. Ltd.* (蘇州市吳中典當有限責任公司) (“Wuzhong Pawnshop”) (the largest pawnshop in Mainland China in terms of paid-up registered capital (RMB1,000 million)), Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州市吳中區東山農村小額貸款有限公司) (“Dongshan Micro-finance”) (a company with paid-up registered capital of RMB300 million and partially owned by local government), Huifang Rongtong (a company with paid-up registered capital of RMB100 million, and partially owned by a state-owned enterprise). Such division operates inclusive finance business by adhering to inclusive finance principle of small scale and decentralization and has attached great importance to risk prevention and control. Major products under this division include secured loans (including real estate backed loans and personal property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and other unsecured loans), which focus on solving problems of short-term liquidity needs of SMEs and personal short-term liquidity needs. The business of inclusive finance business division currently mainly covers Suzhou, Hong Kong, Chengdu, Wuhan and Hefei, and is striving to become a leading service provider of inclusive finance in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(a) Wuzhong Pawnshop

As of 30 June 2020, the following table sets out the details of total transaction amount and number of loans granted during the indicated periods:

	For the six months ended	
	30 June	2019
	2020	
Total transaction amount of new secured loans (RMB' million)		
Total transaction amount of new real estate backed loans	149	192
Total transaction amount of new personal property backed loans	25	23
Total transaction number of new secured loans		
Total transaction number of new real estate backed loans	169	190
Total transaction number of new personal property backed loans	1,747	1,530
Total transaction amount of new unsecured loans (RMB' million)	401	346
Total transaction number of new unsecured loans	39	27

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

Real estate backed loan business primarily provides personal residential mortgage loans against properties located at core urban areas and is featured with low risks and low turnover rates. Its business coverage mainly concentrates in Jiangsu Province, Chengdu, Wuhan and Hefei. As one of the core products of the inclusive finance business division, secured loan has quality customer resources and has maintained a sound and steady trend of development. As of 30 June 2020, the total transaction amount and number of new real estate backed loans granted by the Company were RMB149 million and 169, respectively, representing a decrease as compared to the same period of last year. The decrease was due to the Chinese government's inclusive finance policies issued as part of its relief measures to mitigate the negative impact of the epidemic on the local economy, which led to more intensified competition from commercial banks and private financial institutions, affecting the Company's ability to acquire customers.

For personal property backed pawn loan business, the Company has developed a variety of personal property pawn loan products, including gold, jewelry, diamonds, watches, luxury goods, and the business mainly covers urban areas of Suzhou. In 2020, the Company implemented the reform of the business of personal property backed pawn loan, which included the management reforms such as store manager competition for employment, two-way selection between store managers and shop assistants for team composition, bottom-line performance indicators, etc., and service innovations such as the launch of fixed-term products and appointment for on-site service. As of 30 June 2020, the Company granted new personal property backed pawn loans with the total transaction amount and number of RMB25 million and 1,747, respectively, representing an increase compared to the same period last year, bucking the trend under the influence of the epidemic.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(b) Turnover loan business of Huifang Rongtong

Huifang Rongtong primarily engages in unsecured loan businesses. As of 30 June 2020, the following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan business during the indicated periods:

	For the six months ended	
	30 June	2019
	2020	
Total new loan amount granted (RMB' million)	1,243	1,339
Total number of new loans granted	182	106
Balance at the end of the Reporting Period (RMB' million)	103	117

Huifang Rongtong primarily offers bank bridge loan. Bank bridge loan primarily provides funds for bridge of bank loans to SMEs who has continuous banking facility, with the features of low risks and high turnover rates. Currently, Huifang Rongtong has reached strategic cooperation on such bank bridge loan with more than 26 banks. We had established a sub-loan fund with Suzhou Wuzhong Financial Holdings Group Limited* (蘇州市吳中金融控股有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province, and such government-enterprise cooperation fund is scarce in Suzhou and even Jiangsu Province. Such fund has served a large number of SMEs and local government platforms and accumulated over 1,000 individual and corporate customers.

In 2020, the Suzhou Municipal Government issued the "Administrative Measures for Sub-loan Services in Suzhou (Trial)" (《蘇州市轉貸服務管理辦法(試行)》), establishing a financial service center for SMEs, and launching a sub-loan service platform to support the development of SMEs. Huifang Rongtong has been highly valued by the government due to its exemplary operation in the previous years and has become a regional service unit of the sub-loan service platform, strengthening in-depth collaboration with banks.

As of 30 June 2020, the total amount and number of new loans granted by Huifang Rongtong were RMB1,243 million and 182, respectively, which represented a decrease in amount and an increase in number as compared with the corresponding period of last year. This was due to the relaxation of national financial regulatory policies during the epidemic, which enabled some large-amount customers to enjoy the renewal of loan without repaying the principal to the bank. Therefore, the Company focused on exploring and serving the sub-loan needs of small-amount customers.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(c) Dongshan Micro-finance

For the six months ended 30 June 2020, the following table sets out the details of total new loans secured by real estate, guaranteed loans and other unsecured loans during the indicated periods:

	For the six months ended	
	30 June	2019
	2020	
Total new loan amount granted (RMB' million)	126	451
Total number of new loans granted	59	347
Balance at the end of the Reporting Period (RMB' million)	375	448

Dongshan Micro-finance is one of the few micro-finance companies rated “AAA” in Jiangsu Province, and primarily engages in providing small loans for “rural areas, agriculture and rural people” (“三農”) purposes and financial services such as finance guarantee. Since its establishment, Dongshan Micro-finance has been operating steadily, creating continuous profit contribution for the Shareholders. On 13 January 2020, the Company acquired another 10% equity interest in Dongshan Micro-finance. After the completion of the acquisition, it held a total of 70% equity interest in Dongshan Micro-finance.

As of 30 June 2020, the total amount and number of new loans granted by Dongshan Micro-finance were RMB126 million and 59, respectively, both decreased as compared with the corresponding period of last year. This was because the Company ceased to carry out the properties redemption and advancement business in line with the tightening of national regulatory policies on micro-finance companies. This type of business features small single amount and high turnover rate, resulting in a decrease in the total amount and number of new loans granted during the Reporting Period. The management of the Company is actively looking for alternative products.

1.2 Technology Finance Business Division

The technology finance business division is mainly dedicated to three major operations including commercial factoring, supply chain management and Hong Kong operation. Functioning as a new strategic business division of the Company, it focuses on supply chain finance scenarios and provides customers with quality financial services by utilizing financial technologies such as big data, artificial intelligence and blockchain under the guidance of prudent and rigorous risk control policies.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(a) Huida Factoring Business

In 2020, Huida Factoring successfully introduced equity participation of state-owned capital and collective-owned capital with a registered capital increased from RMB50 million to RMB100 million, which is beneficial for the company to obtain bank financing and serve more small and micro enterprises. The company has changed the traditional operating model of factoring business through fintech empowerment and has effectively competed with traditional factoring companies through differential positioning and focusing on the funding demands under specific consumption and trading scenarios. The following table sets out the operating information of the factoring business during the indicated periods:

	For the six months ended	
	2020	2019
Total number of new transactions relating to accounts receivable assignment	8	4
Total amount of new transactions relating to accounts receivable assignment (RMB' million)	86	31

As at 30 June 2020, the total amount of new transactions relating to accounts receivable assignment granted by Huida Factoring amounted to RMB86 million, representing an increase as compared with the corresponding period of last year; the total number of new loans amounted to eight, representing an increase as compared with the corresponding period of last year, which was mainly due to the increase in registered capital, the amount of funds available for deployment and expansion of business scale.

(b) Supply Chain Management

The technology finance business division has also established a supply chain management company, which is committed to providing services for convenience supermarkets, e-commerce platforms and logistics enterprises, focusing on new supply chain scenarios to provide financial services for small and micro enterprises.

(c) Hong Kong Operation

The technology finance business division obtained a money lender's license in Hong Kong in January 2019 and carried out business in cooperation with local licensed money lenders. As of 30 June 2020, the balance of outstanding loans was RMB24 million.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1.3 Online Lending Intermediary Business Division

The online lending intermediary business division mainly operates the Company's online "peer-to-peer" lending ("P2P Lending") platform, namely Suzhou Qian Dai (www.suzhoumoney.com). The following table sets forth operating information of the online lending intermediary platform for the indicated periods:

	For the six months ended	
	30 June	
	2020	2019
Total transaction amount of the lending business (RMB' million)	0	231
Total number of transactions of the lending business	0	259
Balance at the end of the Reporting Period (RMB' million)	22	229

As of 30 June 2020, both total transaction amount of and total transaction number of the online lending intermediary business were zero, which was because Suzhou Qian Dai has ceased granting new loans and started transformation since 1 January 2020 as affected by the tightening of national regulatory policies on P2P lending platforms. The original borrowing business was gradually phased out. According to the restrictive requirements of the regulatory authorities, it is expected that the liquidation and withdrawal will be completed within the year.

1.4 Insurance Brokerage Business Division

By taking "Integrity, Responsibility, Professionalism and Compliance" as its corporate philosophy, Suzhou Huifang Anda Insurance Agency Company Limited* (蘇州匯方安達保險代理有限公司) ("Huifang Anda"), formerly named as Nanjing Shun'an Insurance Agency Company Limited* (南京舜安保險代理有限公司), a branch under insurance brokerage business division, actively integrated its resources with local government and insurers to target insurance consortium, government and state-owned platforms, foreign-funded enterprises as the business expansion direction. Its brokerage business scope of insurances covers property insurance, credit and guarantee insurance, liability insurance, personal insurance and others.

2. FINANCIAL REVIEW

2.1 Overall Financial Data

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
Operating Results		
Operating income	138,174	178,659
Net operating income	29,324	94,242
Net assets	1,936,908	1,911,753
Administrative expenses	28,776	36,563
Income tax expenses	7,488	14,357
Profit attributable to equity holders	893	31,141
Basic earnings per share	0.001	0.029

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2.2 Financial Analysis on Four Principal Business Divisions and Headquarters Management

Please see the following financial analysis on the four principal business divisions and headquarters management during the indicated periods.

2.2.1 Inclusive Finance Business Division

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Operating income	117,178	133,420
Operating expenses and expected credit loss	90,553	78,309
Profit before tax	26,625	55,111

For the first half of 2020, the product lines of the inclusive finance business division were severely affected by COVID-19. At the same time, with the lowering of bank credit standards and customer access threshold, the development of the inclusive finance business division encountered greater obstacles and difficulties, resulting in a decline in the operating income and profit. As of 30 June 2020, the operating income amounted to RMB117,178 thousand and the profit before tax amounted to RMB26,625 thousand.

2.2.2 Technology Finance Business Division

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Operating income	4,460	2,585
Operating expenses and expected credit loss	5,076	960
(Loss)/profit before tax	(616)	1,625

As an emerging strategic department of the Company, the technology finance business division has carried out continuous exploration and innovation in 2020, in which factoring business has launched new products and successfully introduced strategic equity participation of state-owned capital and collective-owned capital, laying a solid foundation for future development. As of 30 June 2020, the operating income amounted to RMB4,460 thousand and the loss before tax amounted to RMB616 thousand.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2.2.3 Online Lending Intermediary Business Division

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
Operating income	2,285	6,953
Operating expenses and expected credit loss	1,821	4,792
Profit before tax	464	2,161

Suzhou Qian Dai has ceased granting new loans and started transformation since 1 January 2020, and the original lending business will gradually discontinued with the settlement of principal and interest. It is expected that the liquidation and withdrawal will be completed within the year in accordance with the restrictive requirements of the regulatory authorities. As of 30 June 2020, the operating income amounted to RMB2,285 thousand and the profit before tax amounted to RMB464 thousand.

2.2.4 Insurance Brokerage Business Division

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
Operating income	3,207	16,722
Operating cost	3,855	16,031
Other non-operating losses	(850)	(916)
Loss before tax	(1,498)	(225)

In 2020, due to the epidemic, the business volume of insurance brokerage declined, resulting in a decrease in insurance agency income and expense. As of 30 June 2020, the operating income amounted to RMB3,207 thousand and the loss before tax amounted to RMB1,498 thousand.

2.2.5 Headquarters Management

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
Operating income	12,361	21,283
Operating cost	13,424	17,348
Other non-operating losses	(11,642)	(9,042)
Loss before tax	(12,705)	(5,107)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3. CREDIT RISK

3.1 Loan Classification and Impairment Allowances

The following table analyzes the credit exposure of financial instruments that are included in the expected credit loss assessment.

Non-current	As at 30 June 2020			As at 31 December 2019	
	ECL staging				
Unaudited	Stage 1	Stage 2	Stage 3	Total	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans to customers					
Secured loans to customers (a)	—	—	—	—	—
Unsecured loans to customers (b)	73,574	—	—	73,574	—
Gross carrying amount	73,574	—	—	73,574	—
Loss allowances	(4,903)	—	—	(4,903)	—
Carrying amount	68,671	—	—	68,671	—

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Current	As at 30 June 2020				As at
	ECL staging				31 December
Unaudited	Stage 1	Stage 2	Stage 3	Total	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans to customers					
Secured loans to customers (a)	340,293	15,017	865,730	1,221,040	1,171,957
Unsecured loans to customers (b)	785,723	16,882	270,708	1,073,313	997,791
Gross carrying amount	1,126,016	31,899	1,136,438	2,294,353	2,169,748
Loss allowances	(27,047)	(7,792)	(524,596)	(559,435)	(466,044)
Carrying amount	1,098,969	24,107	611,842	1,734,918	1,703,704
Term deposits with banks					
Credit grade					
AAA	431,673	—	—	431,673	847,725
Gross carrying amount	431,673	—	—	431,673	847,725
Loss allowances	(164)	—	—	(164)	(164)
Carrying amount	431,509	—	—	431,509	847,561
Other current assets (excluding repossessed assets)					
Gross carrying amount	19,680	—	9,669	29,349	61,265
Loss allowances	(5)	—	(2,125)	(2,130)	(3,320)
Carrying amount	19,675	—	7,544	27,219	57,945
Guarantee and commitment					
Financial guarantees	17,600	—	—	17,600	—

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Secured loans to customers	328,097	263,784
Unsecured loans to customers	236,241	202,260
	564,338	466,044

In light of the changes in market environment, impairment allowances were accrued to adequately reflect the Group's market risk exposure. As at 30 June 2020, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB564,338 thousand, representing approximately 23.83% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB98,294 thousand as compared with the end of last year.

3.2 New Loans under Legal Proceedings

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
New Secured Loans		
Number of clients	18	26
Outstanding loans (RMB' thousand)	38,494	30,434
New Unsecured Loans		
Number of clients	7	5
Outstanding loans (RMB' thousand)	21,591	9,849

As at 30 June 2020, the balance of loans under legal proceedings accounted for 27.7% of the balance of loans to customers, representing a slight decrease from 28.1% as at 31 December 2019. For the six months ended 30 June 2020, the aggregate principal and interest of new loans under legal proceedings and loans under legal proceedings concluded was RMB60,085 thousand and RMB13,321 thousand, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. TOTAL EQUITY AND CAPITAL MANAGEMENT

4.1 Total Equity

The total equity as at 30 June 2020 was RMB1,936,908 thousand, representing an decrease of RMB11,536 thousand or 0.59% as compared with that as at 31 December 2019. The decrease was mainly due to the payment of the final dividend for the year ended 31 December 2019. The profit attributable to equity holders for the six months ended 30 June 2020 amounted to RMB893 thousand.

4.2 Gearing Ratio Management

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

Our gearing ratio as at 30 June 2020 was 18.9%, as compared with 29.5% as at 31 December 2019.

4.3 Capital Structure of the Group

The capital structure of the Group has not changed materially since 31 December 2019, being the end of the reporting period of the Group's annual report for the year ended 31 December 2019.

5. BORROWINGS

	30 June 2020 Unaudited	31 December 2019 Audited
Non-current		
Bank borrowings (a)	50,380	—
	50,380	—
Current		
Bank borrowings (b)	439,781	936,400
Borrowings from micro-finance companies (c)	33,500	33,500
Borrowings from a securities company (d)	10,000	10,000
Borrowings from other company	—	13,530
SME private placement bond issued	—	2,800
	483,281	996,230
	533,661	996,230

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (a) As at 30 June 2020, non-current bank borrowing with principle amount of RMB50.4 million (31 December 2019: nil) is borrowed specifically for the construction of China Huirong Headquarter Building. The borrowing is repaid in the scheduled installments within 6 years and bears floating interest rate of the RMB Loan Prime Rate plus 15 bps. The borrowing is secured by the land-use right and guaranteed by Wuzhong Group (31 December 2019: nil). As at 30 June 2020, the Group has undrawn bank borrowing facilities of RMB49.6 million (31 December 2019: nil).
- (b) Current bank borrowings with maturity within one year bear fixed interest rates ranging from 4.48% to 5.80% per annum for the six months ended 30 June 2020 (31 December 2019: fixed rate from 3.45% to 5.87%).

As at 30 June 2020, bank borrowings with principal amount of RMB204.0 million (31 December 2019: RMB315.0 million) are secured by restricted term deposits of US\$33.2 million (31 December 2019: US\$50.2 million) (Note 18).

As at 30 June 2020, bank borrowings with principal amount of RMB65.0 million (31 December 2019: RMB261.5 million) are secured by restricted term deposits of RMB68.6 million (31 December 2019: RMB275.9 million) (Note 18).

As at 30 June 2020, bank borrowings with principal amount of RMB170.0 million (31 December 2019: RMB180.0 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders.

- (c) As at 30 June 2020, borrowings from microfinance companies with principal amount of RMB33.5 million are guaranteed by Wuzhong Group (31 December 2019: RMB33.5 million).
- (d) As at 30 June 2020, borrowings from a securities company with principal amount of RMB10.0 million are pledged by equity investment and cash dividends held by the Group (31 December 2019: RMB10.0 million) (Note 18).

6. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of property, plant and equipment, intangible assets and construction in progress. Our capital expenditure was RMB2,336 thousand for the six months ended 30 June 2020, as compared with RMB348 thousand for the corresponding period of last year.

7. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

7.1 Acquisition of Dongshan Micro-finance

On 13 January 2020, the Company acquired a total of 10% equity interests in Dongshan Micro-finance, which is an indirect non-wholly-owned subsidiary of the Company. Upon completion of the acquisition, the Company holds a 70% equity interest.

7.2 Disposal of Huida Factoring

On 29 May 2020, the Company reduced its 40% equity interest in Huida Factoring by injecting state-owned and collectively-owned capital. The capital injection provides the Company with opportunities to expand business, access bank financing and serve more small and micro enterprises in the PRC.

Save as disclosed above, there was no significant investments, acquisition and disposal during the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

8. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

8.1 Contingencies

As at 30 June 2020, the Group did not have any significant contingencies (31 December 2019: nil).

8.2 Commitments

(a) Capital commitments

	30 June 2020 Unaudited	31 December 2019 Audited
China Huirong Headquarters Building	142,730	—
Equity Investment	456	438

8.3 Cash Usage Analysis

As at 30 June 2020, the Group's cash and cash equivalents amounted to RMB81,098 thousand, representing a decrease of RMB76,933 thousand as compared with that of the corresponding period of last year. The following table sets forth a summary of our cash flows for the indicated periods:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	425,679	(132,527)
Net cash outflow from investing activities	(2,336)	(25,793)
Net cash (outflow)/inflow from financing activities	(523,010)	182,349
Net (decrease)/increase in cash and cash equivalents	(99,667)	24,029
Exchange (loss)/gains on cash and cash equivalents	(273)	266

Net Cash Flow from Operating Activities

During the Reporting Period, net cash inflow from operating activities amounted to RMB425,679 thousand, mainly due to the relief on Company's restriction to use its capital for domestic equity investment, and time deposits with banks have been converted into operating funds when they matured.

Net Cash Flow from Financing Activities

During the Reporting Period, net cash outflow from financing activities amounted to RMB523,010 thousand, mainly because the Company used operating funds to repay bank borrowings to reduce finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

9. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 30 June 2020, the Group had a total of 137 full-time employees, decreasing from 161 as at 31 December 2019. The main reason was that the Company carried out human resource optimization work based on the human resource diagnosis report issued by Aon Hewitt at the beginning of the year. We will adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

For the six months ended 30 June 2020, employee remuneration and benefits reduced by RMB5,079 thousand to RMB16,918 thousand from the same period last year.

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

10. ADDITIONAL INFORMATION ON THE UTILISATION OF PROCEEDS OF EQUITY FUNDRAISING

The Board would like to provide an update to the supplemental announcement of the Company dated 29 April 2020 (the "Supplemental Announcement") relating to the use of the proceeds of the placing of 50,000,000 new shares of the Company under general mandate (the "Placing"). For details, please refer to the announcement of the Company dated 23 November 2017 relating to the Placing and the announcement of the Company dated 14 December 2017 relating to the completion of the Placing.

The proceeds of the Placing was intended for the purposes of (i) general working capital and (ii) financing of the money lending business in Hong Kong. It was disclosed in the Supplemental Announcement that approximately RMB19,221 thousand from the proceeds of the Placing was deployed for the money lending business in Hong Kong as at 31 December 2019. The Board would like to clarify that the actual amount of proceeds deployed for the money lending business in Hong Kong was RMB35,148 thousand as at 31 December 2019, such that together with the RMB16,325 thousand applied as general working capital, all proceeds from the Placing had been utilised as at 31 December 2019.

11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Save as the capital commitments disclosed in Note 7.2 to this interim report, the Group has no other plans for material investments or acquisition of capital assets. However, the Group will continue to seek new business development opportunities.

12. EVENTS AFTER REPORTING PERIOD

Save as disclosed in this interim report, there is no significant event after 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PROSPECTS

Inclusive Finance Business Division: The Company will continue to develop small-amount, dispersed and short-term inclusive finance to cope with the intensifying market competition. Firstly, the Company will expand and strengthen the loan facilitation model in cooperation with banks while developing its real estate backed loan business. Secondly, as the Chinese government attaches great importance to the sub-loan fund business, the Company will seize the opportunity to expand its influence and reputation. Thirdly, the Company will continue to adhere to the business philosophy of pursuing progress while ensuring stability and maintaining a stable operating scale and profit in our small-amount loan business. Fourthly, the Company will continue to promote innovation in model and products in the pawn industry to attract new customers.

Technology Finance Business Division: The Company will continue to explore technology finance based on supply chain scenarios. Firstly, in terms of commercial factoring business, the Company will focus on promoting its financing capacity and service quality with the introduction of state-owned and collectively-owned shares, to improve profitability by making full use of financial leverage. Secondly, in terms of supply chain management business, the Company will continue to plough into the FMCG sector and establish a supply chain data platform to build a sound ecological closed loop of supply chain. Thirdly, the Company will continue to pay attention to the development of the epidemic and changes in the economic situation in Hong Kong, so as to monitor the operation strategy and risk appetite of our business in Hong Kong.

Online Lending Intermediary Business Division: Efforts will be made in the management and operation of Suzhou Qian Dai's platform, with the liquidation and transformation to be completed during the year as required by the regulatory authorities.

Insurance Brokerage Business Division: Leveraging the market resources of shareholders which are state-owned companies, the Company will focus on the fundamental businesses such as property insurance, extend its business coverage and obtain the insurance projects with financial payments or subsidies as well as existing insurance projects funded by regional State-owned Assets Supervision and Administration Bureaus and regional governments. The Company will also strengthen the reserve of professionals and develop a team assessment and management system with a benign competition mechanism, to steadily promote the life insurance business and cultivate new profit growth drivers.

OTHER INFORMATION

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2020.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contract of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted for the six months ended 30 June 2020.

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(1) Long positions in shares of the Company

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

OTHER INFORMATION (Continued)

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

Notes:

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

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

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

Note:

- (L) represents long position.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION (Continued)

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

As at 30 June 2020, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares
Xiaolai Investment Co., Ltd	Beneficial owner	Ordinary Shares	260,000,000 (L)	23.90%
Xilai Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.98%
Zhu Tianxiao	Interest in controlled corporation	Ordinary Shares	325,000,000 (L) (Note 2)	29.88%
Baoxiang Investment Co., Ltd	Beneficial owner	Ordinary Shares	84,500,000 (L)	7.77%
Zhang Xiangrong	Interest in controlled corporation	Ordinary Shares	84,500,000 (L) (Note 3)	7.77%
Wonder Capital Co., Ltd	Beneficial owner	Ordinary Shares	71,500,000 (L)	6.57%
Ge Jian	Interest in controlled corporation	Ordinary Shares	71,500,000 (L) (Note 4)	6.57%
Southern Swan Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.98%
Chen Yannan	Beneficial owner	Share Options	1,965,000 (L) (Note 5)	0.18%
	Beneficial owner	Ordinary Shares	1,200,000 (L)	0.11%
	Interest in controlled corporation	Ordinary Shares	65,000,000 (L) (Note 6)	5.98%

OTHER INFORMATION (Continued)

Notes:

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

Save as disclosed above, as at 30 June 2020, no person or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

Purpose

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

Eligible participants

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

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

As at 30 June 2020, a total of 50,000,000 share options were granted, of which 12,532,000 have been exercised. As at 30 June 2020, the number of remaining options is 26,251,000 shares, representing approximately 2.41% of the issued share capital of the Company as at the date of this interim report.

OTHER INFORMATION (Continued)

(a) 10% limit

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

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

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

(b) 30% limit

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

Maximum entitlement of each eligible person

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

Exercise price

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

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

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

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

OTHER INFORMATION (Continued)

Amount payable upon acceptance of option

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

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

Remaining life of the Share Option Scheme

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

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

Name or category of participants	No. of Shares involved in the options outstanding as at 1 January 2020	Granted during the Period	Exercised during the Period	Forfeited during the Period	No. of Shares involved in the options outstanding as at 30 June 2020
Directors					
Wu Min	1,965,000	—	—	—	1,965,000
Zhang Changsong	1,572,000	—	—	—	1,572,000
Zhuo You	791,000	—	—	—	791,000
Zhang Cheng	791,000	—	—	—	791,000
Zhang Shu	491,000	—	—	—	491,000
Zhang Huaqiao	982,000	—	982,000	—	0
Feng Ke	982,000	—	—	—	982,000
Tse Yat Hong	1,582,000	—	—	—	1,582,000
Subtotal	9,156,000	—	982,000	—	8,174,000
Employees					
Employees	18,077,000	—	—	—	18,077,000
Total	27,233,000	—	982,000	—	26,251,000

OTHER INFORMATION (Continued)

Notes:

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

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

In 2016, the Company granted 50,000 thousand share options to directors and selected employees with an exercise price of HK\$0.62 as incentives or rewards for their contribution or potential contribution to the Group.

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

4. The date of grant of the above share options is 13 September 2016 and the exercise price of the above share options is HK\$0.62 per Share.

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied with the principles and code provisions set out in the CG Code during the six months ended 30 June 2020, except for Code Provision A.2.1 which requires that the role of chairman and chief executive officer should be separate and should not be performed by the same person. Given that Mr. WU Min assumes the roles of both chairman and chief executive officer, the Company deviates from this code provision. The Board considers that this management structure is effective in terms of the formulation and implementation of the Company's strategies and the Company's operations. Notwithstanding the deviation, the Board is of the view that it is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its shareholders. The Board will review the management structure from time to time and the need to separate the roles of the chairman of the Board and the chief executive officer to two individuals.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all Directors, and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2020.

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

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the six months ended 30 June 2020.

OTHER INFORMATION (Continued)

CHANGE IN DIRECTORS' INFORMATION

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

Mr. ZHANG Huaqiao, an independent non-executive Director of the Company, has ceased to be a non-executive director and the chairman of the board of directors of China Smartpay Group Holdings Limited (the shares of which are listed on the Stock Exchange, stock code: 8325) since 20 January 2020.

Mr. TSE Yat Hong, an independent non-executive Director of the Company, has been an independent non-executive Director of China Bohai Bank Co., Ltd. (the shares of which are listed on the Stock Exchange, stock code: 9668) since 15 July 2020.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") consists of three Directors, namely, Mr. TSE Yat Hong, independent non-executive Director, Mr. FENG Ke, independent non-executive Director and Ms. ZHANG Shu, non-executive Director, and is chaired by Mr. TSE Yat Hong. Our Company has adopted written terms of reference of the Audit Committee, which set out clearly the constitution, authority, duties, powers and functions of the Audit Committee. Our Group's interim condensed consolidated results for the six months ended 30 June 2020 were reviewed by the members of the Audit Committee prior to the submission to the Board for approval.

The Audit Committee together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2020. In addition, the independent auditor of the Company has reviewed the unaudited interim financial information for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

DIVIDEND

The Board did not recommend an interim dividend for the six months ended 30 June 2020.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 75, which comprises the interim condensed consolidated statement of financial position of China Huirong Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2020

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

	Note	Six Month ended 30 June	
		2020 Unaudited	2019 Unaudited
Operating income		138,174	178,659
Interest income	7	132,488	153,083
Consultancy fee income	8	2,276	8,854
Commission fee income	9	3,410	16,722
Operating cost		(22,832)	(41,968)
Interest expense	10	(18,977)	(25,937)
Commission fee expense	9	(3,855)	(16,031)
Net investment (losses)/gains	11	(7,952)	14,164
Expected credit losses	12	(79,097)	(62,639)
Net (losses)/gains on derecognition of financial assets measured at amortized cost	13	(417)	5,224
Other operating income		1,448	802
Net operating income		29,324	94,242
General and administrative expenses	14	(28,776)	(36,563)
Other gains/(losses), net	16	11,722	(4,114)
Operating profit and profit before income tax		12,270	53,565
Income tax expense	17	(7,488)	(14,357)
Profit for the period		4,782	39,208
Profit is attributable to:			
— Owners of the Company		893	31,141
— Non-controlling interests		3,889	8,067
Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)			
— Basic earnings per share	18	0.001	0.029
— Diluted earnings per share	18	0.001	0.028
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		4,782	39,208
Total comprehensive income for the period is attributable to:			
— Owners of the Company		893	31,141
— Non-controlling interests		3,889	8,067
		4,782	39,208

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2020 Unaudited	As at 31 December 2019 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		1,089	1,649
Right-of-use assets	20	43,595	43,442
Construction in progress	21	6,541	—
Intangible assets	22	3,910	4,001
Loans to customers	25	68,671	—
Deferred income tax assets	23	85,151	76,438
Investments accounted for using the equity method		1,500	1,500
Financial asset at fair value through profit or loss	26	440	440
Total non-current assets		210,897	127,470
Current assets			
Other current assets	24	27,219	77,131
Commission fee receivables		635	1,795
Consulting service fee receivables		567	2,289
Loans to customers	25	1,734,918	1,703,704
Financial assets at fair value through profit or loss	26	33,432	33,432
Derivative financial instruments		—	7,952
Cash at bank and cash on hand	27	518,150	1,047,858
Total current assets		2,314,921	2,874,161
Total assets		2,525,818	3,001,631
EQUITY			
Equity attributable to the owners of the Company			
Share capital	28	8,641	8,632
Share premium	29	602,728	601,993
Other reserves	29	593,774	596,266
Retained earnings		574,105	586,212
		1,779,248	1,793,103
Non-controlling interests		157,660	155,341
Total equity		1,936,908	1,948,444

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2020 Unaudited	As at 31 December 2019 Audited
LIABILITIES			
Non-current liabilities			
Lease liabilities	20	6,149	4,663
Borrowings	31	50,380	—
Total non-current liabilities		56,529	4,663
Current liabilities			
Other current liabilities	30	21,210	20,478
Current income tax liabilities		19,312	27,215
Amounts due to related parties	34(c)	4,134	633
Dividends payable		2,134	1,262
Lease liabilities	20	2,310	2,706
Borrowings	31	483,281	996,230
Total current liabilities		532,381	1,048,524
Total liabilities		588,910	1,053,187
Total equity and liabilities		2,525,818	3,001,631

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

These condensed consolidated financial statements have been approved and authorized for issue by the Board of Directors on 28 August 2020.

Wu Min
Executive Director

Zhang Changsong
Executive Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

Unaudited	Note	Attributable to the owners of the Company					Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2019		8,632	601,993	596,266	547,656	1,754,547	142,481	1,897,028
Changes on initial application of HKFRS 16		—	—	—	540	540	(7)	533
Restated balance at 1 January 2019		8,632	601,993	596,266	548,196	1,755,087	142,474	1,897,561
Profit for the period		—	—	—	31,141	31,141	8,067	39,208
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income for the period		—	—	—	31,141	31,141	8,067	39,208
Transactions with owners in their capacity as owners								
Dividends provided for or paid	19	—	—	—	(12,416)	(12,416)	(12,600)	(25,016)
Total transactions with owners in their capacity as owners		—	—	—	(12,416)	(12,416)	(12,600)	(25,016)
Balance at 30 June 2019		8,632	601,993	596,266	566,921	1,773,812	137,941	1,911,753

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

Unaudited	Note	Attributable to the owners of the Company					Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 31 December 2019		8,632	601,993	596,266	586,212	1,793,103	155,341	1,948,444
Profit for the period		—	—	—	893	893	3,889	4,782
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income for the period		—	—	—	893	893	3,889	4,782
Transactions with owners in their capacity as owners								
Issue of ordinary shares under employee share scheme	29(b)	9	735	(187)	—	557	—	557
Transactions with non-controlling interests	29(c)	—	—	(555)	—	(555)	(29,445)	(30,000)
Capital injections from non-controlling interests	29(d)	—	—	(1,750)	—	(1,750)	41,750	40,000
Dividends provided for or paid	19	—	—	—	(13,000)	(13,000)	(13,875)	(26,875)
Total transactions with owners in their capacity as owners		9	735	(2,492)	(13,000)	(14,748)	(1,570)	(16,318)
Balance at 30 June 2020		8,641	602,728	593,774	574,105	1,779,248	157,660	1,936,908

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2020 Unaudited	2019 Unaudited
Cash flows from operating activities			
Cash generated/(used in) from operating activities		447,281	(86,650)
Interest received from bank deposits		21,899	12,174
Interest paid		(19,397)	(30,551)
Income tax paid		(24,104)	(27,500)
Net cash inflow/(outflow) from operating activities		425,679	(132,527)
Cash flows from investing activities			
Payments for acquisition of a subsidiary, net of cash acquired		—	(490)
Payments for acquisition of an associate		—	(24,955)
Proceeds on disposal of property, plant and equipment		88	—
Payments for property, plant and equipment		—	(348)
Payments for intangible assets	22	(480)	—
Payments for construction in progress		(1,944)	—
Net cash outflow from investing activities		(2,336)	(25,793)
Cash flows from financing activities			
Proceeds from borrowings		851,554	1,251,343
Repayments of borrowings		(1,357,267)	(1,041,540)
Repayments of lease liabilities		(1,294)	(2,438)
Transactions with non-controlling interests	29(c)	(30,000)	—
Capital injections from non-controlling interests	29(d)	40,000	—
Dividends paid to owners of the Company		(12,129)	(12,416)
Dividends paid to non-controlling interests		(13,874)	(12,600)
Net cash (outflow)/inflow from financing activities		(523,010)	182,349
Net (decrease)/increase in cash and cash equivalents		(99,667)	24,029
Cash and cash equivalents at beginning of the period		181,038	133,736
Effects of exchange rate changes on cash and cash equivalents		(273)	266
Cash and cash equivalents at end of the period	27	81,098	158,031

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the “Company”) was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law (2010 revision) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands. The Company is ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (the “Ultimate Shareholders”).

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

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

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

This interim condensed consolidated financial information has been approved and authorized for issue by the board of directors (the “Board”) of the Company on 28 August 2020.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Group during the six months ended 30 June 2020.

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

Following a change in the nature of the Group’s operations, the Group reclassified comparative amounts according to the current presentation or classification, which would be more appropriate having regard to the criteria for the selection and application of accounting policies in HKAS 8.

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank and other financial institution facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group’s products; and (b) the availability of bank finance, finance from other financial institutions for the foreseeable future. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial information. Further information on the Group’s borrowings is given in Note 31.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the consolidated financial statements for the year ended 31 December 2019 unless otherwise stated.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

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

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

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the years ended 31 December 2019.

There have been no changes in the risk management policies since 31 December 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk

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

The inputs, assumptions and estimation techniques used in measuring the Expected credit loss ("ECL") allowances and the forward-looking information incorporated in the ECL models are consistent with those adopted in 2019.

(i) Credit risk exposure

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

Non-current Unaudited	As at 30 June 2020 ECL staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loans to customers				
Secured loans to customers (a)	—	—	—	—
Unsecured loans to customers (b)	73,574	—	—	73,574
Gross carrying amount	73,574	—	—	73,574
Loss allowances	(4,903)	—	—	(4,903)
Carrying amount	68,671	—	—	68,671

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(i) Credit risk exposure (Continued)

Current Unaudited	As at 30 June 2020 ECL staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loans to customers				
Secured loans to customers (a)	340,293	15,017	865,730	1,221,040
Unsecured loans to customers (b)	785,723	16,882	270,708	1,073,313
Gross carrying amount	1,126,016	31,899	1,136,438	2,294,353
Loss allowances	(27,047)	(7,792)	(524,596)	(559,435)
Carrying amount	1,098,969	24,107	611,842	1,734,918
Term deposits with banks				
Credit grade				
AAA	431,673	—	—	431,673
Gross carrying amount	431,673	—	—	431,673
Loss allowances	(164)	—	—	(164)
Carrying amount	431,509	—	—	431,509
Other current assets (excluding repossessed assets)				
Gross carrying amount	19,680	—	9,669	29,349
Loss allowances	(5)	—	(2,125)	(2,130)
Carrying amount	19,675	—	7,544	27,219
Guarantee and commitment				
Financial guarantees exposure	17,600	—	—	17,600

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(i) Credit risk exposure (Continued)

Current Audited	As at 31 December 2019 ECL staging			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Loans to customers				
Secured loans to customers (a)	362,602	11,922	797,433	1,171,957
Unsecured loans to customers (b)	750,158	—	247,633	997,791
Gross carrying amount	1,112,760	11,922	1,045,066	2,169,748
Loss allowances	(32,292)	(1,745)	(432,007)	(466,044)
Carrying amount	1,080,468	10,177	613,059	1,703,704
Term deposits with banks				
Credit grade				
AAA	847,725	—	—	847,725
Gross carrying amount	847,725	—	—	847,725
Loss allowances	(164)	—	—	(164)
Carrying amount	847,561	—	—	847,561
Other current assets (excluding repossessed assets)				
Gross carrying amount	40,797	—	20,468	61,265
Loss allowances	(55)	—	(3,265)	(3,320)
Carrying amount	40,742	—	17,203	57,945

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

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

The Group maintains a diversified client base. Loans receivable from the top five customers accounted for 29.4% of the total loans to customers as at 30 June 2020 (31 December 2019: 28.1%). Interest income from the top five customers accounted for 28.0% of total interest income for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 27.4%).

(iii) Collateral and credit enhancement

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for loans granted. The Group's internal policies on the acceptability of specific classes of collateral or credit risk mitigation are consistent with those adopted in 2019.

5.2 Fair value measurement of financial instruments

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

(a) Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value at 30 June 2020 and 31 December 2019 on a recurring basis:

Unaudited	Level 1	Level 2	Level 3	Total
As at 30 June 2020				
Financial assets at fair value through profit or loss	33,432	440	—	33,872
Audited	Level 1	Level 2	Level 3	Total
As at 31 December 2019				
Financial assets at fair value through profit or loss	—	33,872	—	33,872
Derivative financial instruments	—	7,952	—	7,952
	—	41,824	—	41,824

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair value measurement of financial instruments (Continued)

(a) Fair value hierarchy (Continued)

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

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

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

6 SEGMENT ANALYSIS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

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

In accordance with the Group's business transform and development plan, it has started to manage its business under four operating and reportable segments for the year ended 31 December 2019. Comparative segment analysis has been restated in accordance with the change.

(i) Business Segments

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

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

Technology finance business division: The technology finance business division mainly dedicates services to supply chain technology, loan facilitation technology and factoring technology.

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

Insurance brokerage business division: The insurance brokerage business division mainly includes Huifang Anda that engages in insurance agency business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT ANALYSIS (Continued)

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

The profit or loss before income tax for each reportable segment including incomes and expenses from external transactions and from transactions with other segments, and other items in the consolidated statement of comprehensive income are allocated based on the operations of the segment.

Segment assets and segment liabilities are measured in the same way as in the consolidated statement of financial position. These assets and liabilities are allocated based on the operations of the segment.

Unaudited	For the six months ended 30 June 2020						Elimination	Total
	Inclusive finance business division	Technology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarter and others			
External operating income	115,861	4,460	2,285	3,207	12,361	—	138,174	
Internal operating income	1,317	—	—	—	—	(1,317)	—	
External operating cost	(6,848)	(22)	—	(3,855)	(12,107)	—	(22,832)	
Internal operating cost	—	—	—	—	(1,317)	1,317	—	
Net investment losses	—	—	—	—	(7,952)	—	(7,952)	
Expected credit losses	(73,985)	(2,110)	—	—	(3,002)	—	(79,097)	
Net losses on derecognition of financial assets measured at amortized cost	(416)	—	—	—	—	—	(416)	
Other operating income	876	398	3	42	129	—	1,448	
General and administrative expenses	(10,306)	(4,107)	(1,824)	(892)	(11,647)	—	(28,776)	
Other gains, net	126	765	—	—	10,830	—	11,721	
Profit/(Loss) before income tax	26,625	(616)	464	(1,498)	(12,705)	—	12,270	
Capital expenditure	(11)	(89)	138	—	2,298	—	2,336	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT ANALYSIS (Continued)

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

Unaudited	As at 30 June 2020						Elimination	Total
	Inclusive finance business division	Technology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarter and others			
Segment assets	1,904,322	159,477	19,816	4,625	2,846,171	(2,408,593)	2,525,818	
Segment liabilities	(239,093)	(41,604)	(193)	(125)	(485,440)	177,545	(588,910)	

Unaudited	For the six months ended 30 June 2019						Elimination	Total
	Inclusive finance business division	Technology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarter and others			
External operating income	133,420	2,585	6,953	16,722	18,979	—	178,659	
Internal operating income	—	—	—	—	2,304	(2,304)	—	
External operating cost	(8,520)	(56)	(13)	(16,031)	(17,348)	—	(41,968)	
Internal operating cost	(2,304)	—	—	—	—	2,304	—	
Net investment gains	—	(1,141)	—	—	15,305	—	14,164	
Expected credit losses	(61,925)	2,646	—	—	(3,360)	—	(62,639)	
Net gains on derecognition of financial assets measured at amortized cost	5,224	—	—	—	—	—	5,224	
Other operating income	561	—	13	—	228	—	802	
General and administrative expenses	(11,408)	(2,287)	(4,916)	(916)	(17,036)	—	(36,563)	
Other gains/(losses), net	63	(122)	124	—	(4,179)	—	(4,114)	
Profit/(Loss) before income tax	55,111	1,625	2,161	(225)	(5,107)	—	53,565	
Capital expenditure	185	58	—	11	94	—	348	

Audited	As at 31 December 2019						Elimination	Total
	Inclusive finance business division	Technology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarter and others			
Segment assets	1,946,897	73,645	19,845	5,755	3,001,594	(2,046,105)	3,001,631	
Segment liabilities	(250,709)	(363)	(761)	(246)	(911,402)	110,294	(1,053,187)	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

7 INTEREST INCOME

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Interest income from loans to customers		
Secured loans to customers	71,872	83,374
Unsecured loans to customers	52,433	58,635
Interest income from bank deposits	8,183	11,074
	132,488	153,083

8 CONSULTANCY FEE INCOME

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
P2P platform consultancy fee income (a)	2,270	6,944
Loan consultancy fee income	—	1,910
Other consultancy fee income	6	—
	2,276	8,854

- (a) In February 2015, the Group established Suzhou Qian Dai, an internet finance platform providing service to borrowers as an intermediate between the borrowers and lenders. The Group charges the borrowers with a consultancy fee. The Group charged fixed consultancy fees at rates ranging from 2.2% to 10.0% per annum to the borrowers for the six months ended 30 June 2020 (2019: from 1.5% to 13.6%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

9 COMMISSION FEE INCOME AND EXPENSE

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Commission fee income		
Insurance agency commission fee income	3,201	16,722
Other commission fee income	209	—
	3,410	16,722
Commission fee expense		
Insurance agency commission fee expense	(3,855)	(16,031)
	(3,855)	(16,031)

10 INTEREST EXPENSE

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Interest expense on bank borrowings	17,052	23,124
Interest expense on micro-finance company borrowings	1,561	2,458
Other interest expenses	364	355
	18,977	25,937

11 NET INVESTMENT (LOSSES)/GAINS

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Fair value (losses)/gains — derivative financial assets	(7,952)	5,510
Fair value gains — listed equity securities	—	9,795
Share of net loss of associates for using the equity method	—	(1,141)
	(7,952)	14,164

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

12 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Expected credit losses on loans to customers (Note 25(b))	78,777	63,486
Expected credit losses on financial guarantees	1,177	—
Expected credit losses on term deposit with banks (Note 28)	—	124
Expected credit losses on other current assets (Note 24)	(857)	(971)
	79,097	62,639

13 NET (LOSSES)/GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

On derecognition of a loan to customers in entirety, the difference between the asset's carrying amount and total consideration received and receivable is recognized in net gains on derecognition of financial assets measured at amortized cost.

14 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Employee benefit expenses (Note 15)	16,918	21,997
Professional and consultancy fees	2,868	2,854
Depreciation and amortization	2,657	4,045
Transportation, meal and accommodation	1,498	2,130
Operating lease payments	1,196	789
Telephone, utilities and office expenses	1,005	1,216
Value-added tax surcharges	688	942
Auditors' remuneration	600	600
Commission fee	184	100
Advertising costs	82	381
Other expenses	1,080	1,509
	28,776	36,563

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

15 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Wages and salaries	7,198	7,832
Discretionary bonuses	6,509	10,177
Pension and other social security obligations	3,211	3,988
	16,918	21,997

16 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Net foreign currency gains/(losses)	11,357	(4,472)
Government grants	311	200
Other	54	158
	11,722	(4,114)

17 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Current income tax	16,196	13,841
Deferred income tax	(8,708)	516
	7,488	14,357

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

17 INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Profit before income tax	12,270	53,565
Tax calculated at tax rates applicable to profits in the respective area	3,326	13,717
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	1,280	(1,228)
Unused tax losses for which no deferred tax asset has been recognized	1,255	1,102
Adjustment in respect of prior years	(790)	766
PRC withholding tax	2,417	—
Tax charge	7,488	14,357

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

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

The applicable Hong Kong profits tax rate is 16.5% on the assessable profits earned or derived in Hong Kong for the six months ended 30 June 2020 (The applicable Hong Kong profits tax rate for Huifang Investment is 8.25% and for other entities incorporated in HK is 16.5% on the assessable profits earned or derived in Hong Kong for the six months ended 30 June 2019).

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

For small and micro enterprises with annual taxable income less than RMB1 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 25% of the taxable income amount, and for those with annual taxable income more than RMB1 million but less than RMB3 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 50% of the taxable income amount.

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

18 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Profit attributable to owners of the Company (RMB'000)	893	31,141
Weighted average number of ordinary shares in issue (in thousands)	1,087,769	1,086,787
Basic earnings per share (in RMB)	0.001	0.029

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

(b) Diluted earnings per share

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Profit attributable to owners of the Company (RMB'000)	893	31,141
Weighted average number of ordinary shares in issue (in thousands)	1,087,769	1,086,787
Adjustments for:		
— Share options (in thousands)	11,133	10,333
	1,098,902	1,097,120
Dilutive earnings per share (in RMB)	0.001	0.028

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

19 DIVIDENDS

A dividend of HK\$0.0130 per ordinary share in respect of the year ended 31 December 2019 was declared at the annual general meeting ("AGM") of the Group held on 28 May 2020. It is determined that such dividend shall be paid out of the retained earnings account. Based on the total number of ordinary shares of 1,086,787 thousand outstanding on 31 December 2019, a total dividend of HK\$14.1 million (equivalent to RMB13.0 million) was paid out by the company on 23 June 2020 (2019: Based on the total number of ordinary shares of 1,086,787 thousand outstanding on 31 December 2018, a total dividend of HK\$14.1 million (equivalent to RMB12.4 million) was paid out by the Company on 24 June 2019).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

20 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases.

	As at 30 June 2020 Unaudited	As at 31 December 2019 Audited
Right-of-use assets		
Land-use rights (a)	35,086	35,551
Property	8,509	7,891
	43,595	43,442
Lease liabilities		
Non-current	6,149	4,663
Current	2,310	2,706
	8,459	7,369

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

20 LEASES (Continued)

(i) Amounts recognized in the balance sheet (Continued)

- (a) As at 30 June 2020, land-use right of RMB35.09 million (31 December 2019: nil) is pledged with banks to secure borrowings with principal amount of RMB50.38 million (31 December 2019: same) (Note 31(a)).

The movement of right-of-use assets as follow.

Unaudited	Land-use rights	Property	Total
Cost			
At 1 January 2019	—	29,943	29,943
Additions	—	206	206
Less	—	(12,912)	(12,912)
At 30 June 2019	—	17,237	17,237
Accumulated depreciation			
At 1 January 2019	—	(10,800)	(10,800)
Additions	—	(2,322)	(2,322)
Less	—	5,118	5,118
At 30 June 2019	—	(8,004)	(8,004)
Net book amount			
At 30 June 2019	—	9,233	9,233
At 1 January 2019	—	19,143	19,143

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

20 LEASES (Continued)

(i) Amounts recognized in the balance sheet (Continued)

(a) (Continued)

Unaudited	Land-use rights	Property	Total
Cost			
At 31 December 2019	37,235	16,951	54,186
Additions	—	2,850	2,850
Less	—	(1,490)	(1,490)
At 30 June 2020	37,235	18,311	55,546
Accumulated depreciation			
At 31 December 2019	(1,684)	(9,060)	(10,744)
Additions	(465)	(1,540)	(2,005)
Less	—	798	798
At 30 June 2020	(2,149)	(9,802)	(11,951)
Net book amount			
At 30 June 2020	35,086	8,509	43,595
At 31 December 2019	35,551	7,891	43,442

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

(ii) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Depreciation charge of right-of-use assets		
Properties	(1,540)	(2,322)
Interest expense	(248)	(354)
Expense relating to short-term leases (included in the general and administrative expenses)	(1,196)	(789)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

20 LEASES (Continued)

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, retail stores and land-use right. Rental contracts are typically made for fixed periods of 12 months to 40 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension and termination options

Extension and termination options are included in a number of properties across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

21 CONSTRUCTION IN PROGRESS

Unaudited	China Huirong Headquarter Building
Cost	
At 31 December 2019	—
Additions	6,541
Less	—
At 30 June 2020	6,541
Impairment	
At 31 December 2019	—
Additions	—
Less	—
At 30 June 2020	—
Net book amount	
At 30 June 2020	6,541
At 31 December 2019	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

22 INTANGIBLE ASSETS

Unaudited	Land-use right	Computer software	Licenses	Total
At 31 December 2018				
Cost	37,235	1,904	3,294	42,433
Accumulated amortisation and impairment	(753)	(561)	(384)	(1,698)
Net book amount	36,482	1,343	2,910	40,735
At 1 January 2019				
Changes on initial application of HKFRS 16	(36,482)	—	—	(36,482)
Restated balance at 1 January 2019	—	1,343	2,910	4,253
Six months ended 30 June 2019				
Additions	—	100	—	100
Amortisation charge	—	(95)	(330)	(425)
Closing net book amount	—	1,348	2,580	3,928
At 30 June 2019				
Cost	—	2,004	3,294	5,298
Accumulated amortisation and impairment	—	(656)	(714)	(1,370)
Net book amount	—	1,348	2,580	3,928
Unaudited				
At 31 December 2019				
Cost	—	2,517	3,294	5,811
Accumulated amortisation and impairment	—	(767)	(1,043)	(1,810)
Net book amount	—	1,750	2,251	4,001
Six months ended 30 June 2020				
Opening net book amount	—	1,750	2,251	4,001
Additions	—	480	—	480
Acquisition of subsidiary	—	—	—	—
Amortisation charge	—	(242)	(329)	(571)
Closing net book amount	—	1,988	1,922	3,910
At 30 June 2020				
Cost	—	2,997	3,294	6,291
Accumulated amortisation and impairment	—	(1,009)	(1,372)	(2,381)
Net book amount	—	1,988	1,922	3,910

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

23 DEFERRED INCOME TAX

(i) Deferred tax assets

	30 June 2020 Unaudited	31 December 2019 Audited
The balance comprises temporary differences attributable to:		
ECL allowances impairment charge on financial assets	75,809	68,961
ECL allowances charge on financial guarantees	294	—
Net loss from financial instruments at fair value through profit or loss	6,642	4,654
Recoverable tax losses	1,370	1,787
Share-based payment expense	1,036	1,036
Total deferred tax assets	85,151	76,438
Set-off of deferred tax liabilities pursuant to set-off provisions	—	—
Net deferred tax assets	85,151	76,438

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

23 DEFERRED INCOME TAX (Continued)

(i) Deferred tax assets (Continued)

The movement in deferred income tax assets and liabilities for the six months ended 30 June 2020 and the six months ended 30 June 2019, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred income tax assets	ECL allowances charge on financial assets	ECL allowances charge on financial guarantees	Lease liabilities	Net(gains)/ loss from financial instruments at fair value through profit or loss and derivative financial instruments	Recoverable tax losses	Share-based payments	Total
At 1 January 2019	60,248	—	4,267	7,168	2,192	1,036	74,911
Credited/(charged) to the consolidated statement of comprehensive income	3,601	—	(1,600)	(3,826)	(228)	—	(2,053)
At 30 June 2019	63,849	—	2,667	3,342	1,964	1,036	72,858
At 1 January 2020	68,961	—	—	4,654	1,787	1,036	76,438
Credited/(charged) to the consolidated statement of comprehensive income	6,848	294	—	1,988	(417)	—	8,713
At 30 June 2020	75,809	294	—	6,642	1,370	1,036	85,151

As at 30 June 2020, it is estimated that deferred income tax assets will be reversed over one year (31 December 2019: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

24 OTHER CURRENT ASSETS

	30 June 2020 Unaudited	31 December 2019 Audited
Repossessed assets	18,779	19,186
Receivable from disposal of loans to customers, net	1,844	24,116
<i>Receivable from disposal of loans to customers, gross</i>	1,844	25,201
<i>Less: ECL allowances</i>	—	(1,085)
Receivable from issue of ordinary shares under employee share scheme	557	—
Other receivables, net	6,039	33,829
<i>Other receivables, gross</i>	8,169	36,064
<i>Less: ECL allowances</i>	(2,130)	(2,235)
	27,219	77,131

25 LOANS TO CUSTOMERS

Non-current	30 June 2020 Unaudited	31 December 2019 Audited
Loans to customers, gross		
Unsecured loans	73,574	—
— <i>Guaranteed loans</i>	73,574	—
Less: ECL allowances	(4,903)	—
Loans to customers, net	68,671	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

25 LOANS TO CUSTOMERS (Continued)

Current	30 June 2020 Unaudited	31 December 2019 Audited
Loans to customers, gross		
Secured loans	1,221,040	1,171,957
— <i>Real estate backed loans</i>	1,187,409	1,137,217
— <i>Personal property backed loans</i>	33,631	34,740
Unsecured loans	1,073,313	997,791
— <i>Equity interest backed loans</i>	558,296	511,846
— <i>Guaranteed loans</i>	184,818	224,229
— <i>Other unsecured loans</i>	330,199	261,716
	2,294,353	2,169,748
Less: ECL allowances		
Secured loans	(328,097)	(263,784)
Unsecured loans	(231,338)	(202,260)
	(559,435)	(466,044)
Loans to customers, net	1,734,918	1,703,704

Loans to customers arise from the Group's lending services. The current loan periods granted to customers are within one year. The non-current loan periods granted to customers are 3-5 years. The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 10.00% to 25.00% per annum for the six months ended 30 June 2020 (2019: from 10.00% to 25.00%).

Guaranteed loans granted to customers bear fixed interest rates from 6.00% to 25.20% per annum for the six months ended 30 June 2020 (2019: from 6.00% to 25.16%).

Other unsecured loans granted to customers bear fixed interest rates from 10.00% to 18.00% per annum for the six months ended 30 June 2020 (2019: from 10.00% to 17.00%).

As at 30 June 2020, renewed loans amounted to RMB219.7 million (2019: RMB180.5 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

25 LOANS TO CUSTOMERS (Continued)

(a) Ageing analysis of loans to customers

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

Non-current	As at 30 June 2020		
	Secured loans to customers	Unsecured loans to customers	Total
Unaudited			
Within 3 months	—	68,671	68,671
	—	68,671	68,671
Current	As at 30 June 2020		
	Secured loans to customers	Unsecured loans to customers	Total
Unaudited			
Within 3 months	130,225	295,958	426,183
3–6 months	32,453	276,802	309,255
6–12 months	84,780	162,193	246,973
12–24 months	81,976	17,364	99,340
over 24 months	2,180	—	2,180
Past due (i)	561,327	89,660	650,987
	892,941	841,977	1,734,918

As at 31 December 2019, there is no balance of non-current loans to customers.

Current	As at 31 December 2019		
	Secured loans to customers	Unsecured loans to customers	Total
Audited			
Within 3 months	91,906	525,794	617,700
3–6 months	109,164	101,788	210,952
6–12 months	128,164	40,321	168,485
12–24 months	15,319	—	15,319
Past due (i)	563,620	127,628	691,248
	908,173	795,531	1,703,704

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

25 LOANS TO CUSTOMERS (Continued)

(a) Ageing analysis of loans to customers (Continued)

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

Current Unaudited	As at 30 June 2020		Total
	Secured loans to customers	Unsecured loans to customers	
Past due within one month	4,745	10,293	15,038
Past due between one and three months	13,102	11,005	24,107
Past due over three months	543,480	68,362	611,842
	561,327	89,660	650,987

Current Audited	As at 31 December 2019		Total
	Secured loans to customers	Unsecured loans to customers	
Past due within one month	13,678	54,334	68,012
Past due between one and three months	10,177	—	10,177
Past due over three months	539,765	73,294	613,059
	563,620	127,628	691,248

(b) Movements on ECL allowances for loans to customers

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

Non-current Unsecured loans Unaudited	Six months ended 30 June 2020			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Loss allowances as at 31 December 2019	—	—	—	—
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	—	—	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	—	—	—
New loans to customers originated	4,751	—	—	4,751
Changes in PDs/LGDs/EADs	152	—	—	152
Loss allowances as at 30 June 2020	4,903	—	—	4,903

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

25 LOANS TO CUSTOMERS (Continued)

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

Current Secured loans Unaudited	Six months ended 30 June 2020			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Loss allowances as at 31 December 2019	4,371	1,745	257,668	263,784
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(1,268)	10,326	—	9,058
<i>Transfers from Stage 2 to Stage 3</i>	—	(7,405)	9,519	2,114
New loans to customers originated	2,465	—	—	2,465
Changes in PDs/LGDs/EADs	341	266	50,543	51,150
Unwind of discount	—	—	11,435	11,435
Loans to customers derecognized during the period other than write-offs	(1,977)	(3,017)	(6,915)	(11,909)
Loss allowances as at 30 June 2020	3,932	1,915	322,250	328,097

Current Unsecured loans Unaudited	Six months ended 30 June 2020			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Loss allowances as at 31 December 2019	27,921	—	174,339	202,260
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(4,389)	50,832	—	46,443
<i>Transfers from Stage 2 to Stage 3</i>	—	(16,487)	42,037	25,550
New loans to customers originated	62,594	—	—	62,594
Changes in PDs/LGDs/EADs	885	3	9,836	10,724
Unwind of discount	—	—	12,095	12,095
Loans to customers derecognized during the period other than write-offs	(63,896)	(28,471)	(35,961)	(128,328)
Loss allowances as at 30 June 2020	23,115	5,877	202,346	231,338

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

25 LOANS TO CUSTOMERS (Continued)

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

Current Secured loans Audited	Year ended 31 December 2019			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Loss allowances as at 31 December 2018	7,041	1,669	156,898	165,608
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(1,213)	10,086	—	8,873
<i>Transfers from Stage 2 to Stage 3</i>	—	(5,044)	5,390	346
New loans to customers originated	8,214	—	—	8,214
Changes in PDs/LGDs/EADs	462	699	97,806	98,967
Unwind of discount	—	—	12,173	12,173
Loans to customers derecognized during the year other than write-offs	(10,133)	(5,665)	(14,651)	(30,449)
Write-offs	—	—	(11)	(11)
Recovery of the loans written-off in previous years	—	—	63	63
Loss allowances as at 31 December 2019	4,371	1,745	257,668	263,784
Current Unsecured loans Audited				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2018	25,287	—	140,706	165,993
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(2,328)	9,639	—	7,311
<i>Transfers from Stage 2 to Stage 3</i>	—	(9,425)	10,025	600
New loans to customers originated	82,384	—	—	82,384
Changes in PDs/LGDs/EADs	38	—	11,261	11,299
Unwind of discount	—	—	20,609	20,609
Loans to customers derecognized during the year other than write-offs	(77,460)	(214)	(8,262)	(85,936)
Write-offs	—	—	—	—
Recovery of the loans written-off in previous years	—	—	—	—
Loss allowances as at 31 December 2019	27,921	—	174,339	202,260

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

25 LOANS TO CUSTOMERS (Continued)

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

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

Non-current Unsecured loans Unaudited	Six months ended 30 June 2020			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Gross carrying amount as at 31 December 2019	—	—	—	—
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	—	—	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	—	—	—
New loans to customers originated	73,000	—	—	73,000
Changes in interest accrual	574	—	—	574
Gross carrying amount as at 30 June 2020	73,574	—	—	73,574
Current Secured loans Unaudited	Six months ended 30 June 2020			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Gross carrying amount as at 31 December 2019	362,602	11,922	797,433	1,171,957
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(50,433)	50,433	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(37,733)	37,733	—
Loans to customers derecognized during the period other than write-offs	(183,805)	(10,200)	(17,271)	(211,276)
New loans to customers originated	211,524	—	—	211,524
Changes in interest accrual	405	595	47,835	48,835
Gross carrying amount as at 30 June 2020	340,293	15,017	865,730	1,221,040

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

25 LOANS TO CUSTOMERS (Continued)

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

Current Unsecured loans Unaudited	Six months ended 30 June 2020			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Gross carrying amount as at 31 December 2019	750,158	—	247,633	997,791
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(201,699)	201,699	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(78,899)	78,899	—
Loans to customers derecognized during the period other than write-offs	(1,419,031)	(118,500)	(74,253)	(1,611,784)
New loans to customers originated	1,652,358	—	—	1,652,358
Changes in interest accrual	3,585	12,582	18,436	34,603
FX and other movements	352	—	(7)	345
Gross carrying amount as at 30 June 2020	785,723	16,882	270,708	1,073,313

Current Secured loans Audited	Year ended 31 December 2019			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Gross carrying amount as at 31 December 2018	425,994	9,537	841,624	1,277,155
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(76,838)	76,838	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(56,638)	56,638	—
Loans to customers derecognized during the year other than write-offs	(543,977)	(17,900)	(156,131)	(718,008)
New loans to customers originated	558,313	—	—	558,313
Changes in interest accrual	(890)	85	55,313	54,508
Write-offs	—	—	(11)	(11)
Gross carrying amount as at 31 December 2019	362,602	11,922	797,433	1,171,957

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

25 LOANS TO CUSTOMERS (Continued)

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

Current Unsecured loans	Year ended 31 December 2019			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
Audited				
Gross carrying amount as at 31 December 2018	596,490	—	196,239	792,729
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(65,344)	65,344	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(37,604)	37,604	—
Loans to customers derecognized during the year other than write-offs	(4,373,095)	(27,740)	(27,524)	(4,428,359)
New loans to customers originated	4,595,537	—	—	4,595,537
Changes in interest accrual	(3,760)	—	41,314	37,554
FX and other movements	330	—	—	330
Gross carrying amount as at 31 December 2019	750,158	—	247,633	997,791

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

	30 June 2020 Unaudited	31 December 2019 Audited
Non-current assets		
Equity securities	440	440
Current assets		
Equity securities	33,432	33,432
	33,872	33,872

As at 30 June 2020, equity securities with fair value of RMB29.2 million (31 December 2019: same) have been pledged with a securities company to secure borrowings with principal amount of RMB10 million (31 December 2019: same) (Note 31(d)).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

27 CASH AT BANK AND CASH ON HAND

	30 June 2020 Unaudited	31 December 2019 Audited
Cash on hand	1,892	1,859
Demand deposits with banks	79,206	179,179
Deposits with a securities company	1,907	1,907
Interest receivable from bank deposits	3,636	17,352
Term deposits with banks with original maturities over 3 months, net	431,509	847,561
<i>Term deposits with banks with original maturities over 3 months, gross</i>	431,673	847,725
<i>Less: ECL allowances</i>	(164)	(164)
	518,150	1,047,858

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

	30 June 2020 Unaudited	31 December 2019 Audited
RMB	168,511	664,685
US dollar	345,204	373,763
Hong Kong dollar	4,435	9,410
	518,150	1,047,858

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

	30 June 2020 Unaudited	31 December 2019 Audited
Cash at bank and on hand	518,150	1,047,858
Less: Unrestricted term deposits with banks with original maturities over 3 months	(128,034)	(41,300)
Restricted deposits with securities company	(1,907)	(1,907)
Interest receivable from bank deposits	(3,636)	(17,352)
Restricted term deposits pledged with banks with original maturities over 3 months	(303,475)	(806,261)
	81,098	181,038

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

27 CASH AT BANK AND CASH ON HAND (Continued)

As at 30 June 2020, restricted deposits with securities company of RMB1,907 thousand (31 December 2019: same) are cash dividends received from listed equity securities and pledged with a securities company to secure borrowings with principle amount of RMB10.0 million (31 December 2019: same) (Note 31(d)).

As at 30 June 2020, restricted term deposits of US\$33.2 million (31 December 2019: US\$50.2 million), which is equivalent to RMB235.0 million (31 December 2019: RMB350.2 million), are pledged with banks to secure bank borrowings with principal amount of RMB204.0 million (31 December 2019: RMB315.0 million) (Note 31(b)).

As at 30 June 2020, restricted term deposits of RMB68.5 million (31 December 2019: RMB275.9 million) are pledged with banks to secure bank borrowings with principal amount of RMB65.0 million (31 December 2019: RMB261.5 million) (Note 31(b)).

28 SHARE CAPITAL

	Number of shares	Ordinary shares HK\$	Ordinary shares RMB
Issued and fully paid:			
As at 30 June 2020	1,087,769,000	10,877,690	8,640,905
As at 31 December 2019	1,086,787,000	10,867,870	8,631,935

(i) Movements in ordinary shares

	Number of shares	Ordinary shares HK\$	Ordinary shares RMB
Details			
Opening balance 1 January 2020	1,086,787,000	10,867,870	8,631,935
Issue of shares under employee share scheme	982,000	9,820	8,970
Balance 30 June 2020	1,087,769,000	10,877,690	8,640,905

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

29 SHARE PREMIUM AND OTHER RESERVES

	Other reserves					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	
At 1 January 2019	601,993	506,963	77,715	4,417	7,171	1,198,259
Share-based payments — Value of employee services (b)	—	—	—	—	—	—
At 30 June 2019	601,993	506,963	77,715	4,417	7,171	1,198,259
At 1 January 2020	601,993	506,963	77,715	4,417	7,171	1,198,259
Issue of ordinary shares under employee share scheme (b)(i)	735	—	—	—	(187)	548
Transactions with non-controlling interests (c)	—	(555)	—	—	—	(555)
Capital injections from non-controlling interests (d)	—	(1,750)	—	—	—	(1,750)
At 30 June 2020	602,728	504,658	77,715	4,417	6,984	1,196,502

(a) Statutory reserve

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

29 SHARE PREMIUM AND OTHER RESERVES (Continued)

(b) Share-based payments — Value of employee services

The grant of share options to enable eligible participants as incentives or rewards for their contribution or potential contribution to the Group was approved on 13 September 2016. The options have a contractual option term of five years and have become partially exercisable after the employees completed the vesting period. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Unaudited	Six months ended 30 June 2020	
	Average exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January	0.62	27,238
Granted	—	—
Exercised	0.62	(982)
Forfeited	0.62	(5)
At 30 June	0.62	26,251
Vested and exercisable as at 30 June 2020	0.62	26,251

No employee benefit expense was recognized for share options granted to directors and employees for the period ended 30 June 2020 (2019: nil).

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

29 SHARE PREMIUM AND OTHER RESERVES (Continued)

(b) Share-based payments — Value of employee services (Continued)

(i) Issue of shares under share-based payments

In 2020, the Company issued 982,000 ordinary shares in connection with exercised options under the share-based payments. The total proceeds is HK\$609 thousand (equivalent to approximately RMB557 thousand). The excess of RMB548 thousand over the par value of RMB9 thousand for the 982,000 ordinary shares issued, plus transfer-in amount of RMB187 thousand previously recognized in share-based payments reserve directly contributable to the options exercised, was credited to “share premium” with amount of RMB735 thousand.

(c) Transactions with non-controlling interests

On 13 January 2020, the Group further acquired 10% equity interests in Dongshan Agricultural Microfinance Co., Ltd. (“Dongshan Micro-finance”) for cash consideration of RMB30.0 million.

(d) Capital injections from non-controlling interests

On 29 May 2020, two new shareholders acquired 40% of the equity interests in Suzhou Huida Commercial Factoring Company Limited (“Huida Factoring”) through capital injections of RMB40.0 million.

30 OTHER CURRENT LIABILITIES

	30 June 2020 Unaudited	31 December 2019 Audited
Advance from transferee of financial assets	10,340	4,113
Accrued employee benefits	3,177	9,101
Provisions to financial guarantees	1,177	—
Turnover tax and other tax payable	989	1,623
Other financial liabilities	5,527	5,641
	21,210	20,478

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

31 BORROWINGS

	30 June 2020 Unaudited	31 December 2019 Audited
Non-current		
Bank borrowings (a)	50,380	—
	50,380	—
Current		
Bank borrowings (b)	439,781	936,400
Borrowings from micro-finance companies (c)	33,500	33,500
Borrowings from securities company (d)	10,000	10,000
Borrowings from other company	—	13,530
SME private placement bond issued	—	2,800
	483,281	996,230
	533,661	996,230

(a) As at 30 June 2020, non-current bank borrowing with principle amount of RMB50.4 million is borrowed specifically for the construction of China Huirong Headquarter Building. The borrowing is repaid in the scheduled instalments within 6 years and bears floating interest rate of the 5-year Loan Prime Rate (“LPR5Y”) plus 15 bps. The borrowing is secured by the land-use right and guaranteed by Jiangsu Wuzhong Group Co., Ltd. (“Wuzhong Group”) (31 December 2019: nil). As at 30 June 2020, the Group has undrawn bank borrowing facilities of RMB49.6 million (31 December 2019: nil).

(b) Current bank borrowings with maturity within one year bear fixed interest rates ranging from 4.48% to 5.80% per annum in the six months ended 30 June 2020 (2019: fixed rate from 4.35% to 5.87%).

As at 30 June 2020, bank borrowings with principal amount of RMB204.0 million (31 December 2019: RMB315.0 million) are secured by restricted term deposits of US\$33.2 million (31 December 2019: US\$50.2 million) (Note 27).

As at 30 June 2020, bank borrowings with principal amount of RMB65.0 million (31 December 2019: RMB261.5 million) are secured by restricted term deposits of RMB68.6 million (31 December 2019: RMB275.9 million) (Note 27).

As at 30 June 2020, bank borrowings with principal amount of RMB170.0 million (31 December 2019: RMB180.0 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (Note 34(b)).

(c) As at 30 June 2020, borrowings from microfinance companies with principal amount of RMB33.5 million are guaranteed by Wuzhong Group (31 December 2019: RMB33.5 million) (Note 34(b)).

(d) As at 30 June 2020, borrowings from a securities company with principal amount of RMB10.0 million are pledged by equity investment and cash dividends held by the Group (31 December 2019: RMB10.0 million) (Note 26 and Note 27).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

32 CONTINGENCIES

As at 30 June 2020, the Group does not have any material contingencies (31 December 2019: nil).

33 COMMITMENTS

(a) Capital commitments

	30 June 2020 Unaudited	31 December 2019 Audited
China Huirong Headquarter Building	142,730	—
Equity investment	456	438

34 RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Bank borrowings guaranteed by Wuzhong Jiaye and Ultimate Shareholders (in principal amount at period end) (Note 31(b))	170,000	180,000
Bank borrowings guaranteed by Wuzhong Group (in principal amount at period end) (Note 31(a))	50,380	—
Borrowings from microfinance companies guaranteed by Wuzhong Group (in principal amount at year-end)(Note 31(c))	33,500	33,500
Interest expenses paid to Wuzhong Group	49	1,041

(c) Balances with related parties

	30 June 2020 Unaudited	31 December 2019 Audited
	Amounts due to related parties	
Due to Wuzhong Jiaye	3,501	—
Due to BVI entities owned by the Ultimate Shareholders	633	633
	4,134	633

As at 30 June 2020, there is no balance of loan to customer or borrowings held by directors or key management (31 December 2019: nil).

(d) Key management compensation

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

	Six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Basic salaries	1,363	1,731
Discretionary bonuses	2,420	2,507
Pension and other social security obligations	147	292
	3,930	4,530

DEFINITIONS

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

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

DEFINITIONS (Continued)

“HKFRSs”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huida Factoring”	Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司), a limited liability company established in the PRC on 30 May 2016, which is an indirect wholly-owned subsidiary of our Company
“Huifang Rongtong”	Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)), a limited partnership company established in the PRC on 1 September 2017, which is an indirect holding subsidiary of our Company
“Huifang Technology”	Suzhou Huifang Management Consulting Co., Ltd.* (蘇州匯方管理諮詢有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 29 December 2011, which is an indirect wholly owned subsidiary of our Company. On 12 December 2013, the name of Suzhou Huifang Management Consulting Co. Ltd.* (蘇州匯方管理諮詢有限公司) was changed to Suzhou Huifang Technology Co. Ltd.* (蘇州匯方科技有限公司) upon the approval from Administration for Industry and Commercial of Suzhou, Jiangsu
“Huifang Investment”	Huifang Investment Limited* (匯方投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 5 December 2011 and a wholly-owned subsidiary of our Company
“Huifang Tongda”	Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司), a limited liability company established in the PRC on 10 February 2012 which is an indirect wholly-owned subsidiary of our Company. On 11 December 2013, the name of Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司) was changed to Suzhou Huifang Tongda Information Technology Co., Ltd* (蘇州匯方同達信息科技有限公司) upon the approval from Administration for Industry and Commercial of Wuzhong, Suzhou
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC Operating Entity” or “Wuzhong Pawnshop”	Suzhou Wuzhong Pawnshop Co., Ltd.* (蘇州市吳中典當有限責任公司), a limited liability company established under the laws of the PRC on 21 December 1999, formerly known as 吳縣市吳中典當行有限公司 (Wuxian Wuzhong Pawnshop Co., Ltd.), a company which we do not own but the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements

DEFINITIONS (Continued)

“PRC Shareholders”	Mr. Zhu Tianxiao, Mr. Zhang Xiangrong, Mr. Ge Jian, Mr. Chen Yannan, Mr. Wei Xingfa, Mr. Yang Wuguan and Mr. Zhuo You, who are the ultimate and indirect shareholders of the Company. Except for Mr. Zhuo You, who is a non-executive Director of the Company, none of the other PRC Shareholders is a director or chief executive member of the Company
“Prospectus”	prospectus of the Company dated 16 October 2013 in relation to the Global Offering
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary shares(s) in the capital of the Company with normal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuzhong Group”	Jiangsu Wuzhong Group Co., Ltd.* (江蘇吳中集團有限公司), a limited liability company established under the laws of the PRC on 26 May 1992, formerly known as Jiangsu Wuzhong Group Co.* (江蘇吳中集團公司)
“Wuzhong Jiaye”	Jiangsu Wuzhong Jiaye Group Co., Ltd.* (江蘇吳中嘉業集團有限公司), a limited liability company established under the laws of the PRC on 25 April 2005, formerly known as Jiangsu Wuzhong Jiaye Investment Co., Ltd.* (江蘇吳中嘉業投資有限公司), one of the direct shareholders of the PRC Operating Entity
“Wuzhong Real Estate”	Jiangsu Wuzhong Real Estate Group Co., Ltd.* (江蘇吳中地產集團有限公司), a limited liability company established under the laws of the PRC on 13 August 1992, formerly known as Jiangsu Wuzhong Dongwu Property Development Co.* (江蘇吳中東吳產業開發公司), Wuxian Dongwu Property Development Co.* (吳縣市東吳產業開發公司), and Jiangsu Wuzhong Dongwu Property Development Co., Ltd.* (江蘇吳中東吳產業開發有限公司)

* For identification purpose only

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