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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

	Six Months Ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	*%*
Operating Results			
Interest income	**153,083**	127,947	20%
Net interest income	**127,146**	99,163	28%
Profit attributable to owners of the Company	**31,141**	25,339	23%
Basic earnings per share (RMB)	**0.029**	0.023	26%

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

The board of directors (the "Board") of China Huirong Financial Holdings Limited (the "Company" or "China Huirong") hereby announces the interim results of the Company and its subsidiaries (together, the "Group" or "we") for the six months ended 30 June 2019 (the "Reporting Period") as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

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

	Note	Six months ended 30 June 2019 Unaudited	2018 Unaudited
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period		**39,208**	31,690
Total comprehensive income for the period attributable to:			
— Owners of the Company		**31,141**	25,339
— Non-controlling interests		**8,067**	6,351
		39,208	31,690

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	**As at 30 June 2019 Unaudited**	As at 31 December 2018 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**1,849**	2,334
Right-of-use assets		**9,233**	N/A
Intangible assets		**39,945**	40,735
Deferred income tax assets		**70,052**	70,644
Investments accounted for using the equity method		**25,314**	1,500
Financial asset at fair value through profit or loss		**440**	440
Total non-current assets		**146,833**	115,653
Current assets			
Other current assets		**121,881**	116,999
Loans to customers	*17*	**1,815,020**	1,738,283
Financial assets at fair value through profit or loss		**41,122**	31,327
Derivative financial assets		**5,510**	—
Cash at bank and cash on hand	*18*	**1,001,846**	797,964
Total current assets		**2,985,379**	2,684,573
Total assets		**3,132,212**	2,800,226
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*19*	**8,632**	8,632
Share premium		**601,993**	601,993
Other reserves		**596,266**	596,266
Retained earnings		**566,921**	547,656
		1,773,812	1,754,547
Non-controlling interests		**137,941**	142,481
Total equity		**1,911,753**	1,897,028

	Note	As at 30 June 2019 Unaudited	As at 31 December 2018 Audited
LIABILITIES			
Non-current liabilities			
Lease liabilities		**6,188**	N/A
Total non-current liabilities		**6,188**	—
Current liabilities			
Other current liabilities		**15,216**	21,778
Current income tax liabilities		**15,702**	29,455
Amounts due to related parties		**120,209**	633
Dividends payable		**1,261**	1,256
Borrowings	*20*	**1,059,115**	850,076
Lease liabilities		**2,750**	N/A
Deferred income tax liabilities		**18**	—
Total current liabilities		**1,214,271**	903,198
Total liabilities		**1,220,459**	903,198
Total equity and liabilities		**3,132,212**	2,800,226

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

1 GENERAL INFORMATION

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

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

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

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

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

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

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

2 BASIS OF PREPARATION

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 New and amended standards adopted by the Group

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

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

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

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

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

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

4 CHANGE IN ACCOUNTING POLICIES

4.1 HKFRS 16

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

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

4.1.1 *Adjustments recognized on adoption of HKFRS 16*

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

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

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

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

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

(i) *Practical expedients applied*

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) *Extension options*

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

4.2 Segment analysis

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

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

(i) *Business Segments*

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

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

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

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

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

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

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

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

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

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

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

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

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

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

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

(a) ***Credit risk***

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

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

(i) *Credit risk exposure*

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

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

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

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

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

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

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

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

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

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

(iii) *Collateral and credit enhancement*

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

a. Fair Value of collateral of credit-impaired loans

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

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

6.2 Fair value measurement of financial instruments

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

(a) *Fair value hierarchy*

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

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

Unaudited	**Level 1**	**Level 2**	**Level 3**	**Total**
As at 30 June 2019				
Financial assets at fair value through profit or loss				
— Equity Investments	—	41,562	—	41,562
Derivative financial assets				
— Forward contracts	—	5,510	—	5,510

Audited	**Level 1**	**Level 2**	**Level 3**	**Total**
As at 31 December 2018				
Financial assets designated at fair value through profit or loss				
— Equity Investments	—	31,767	—	31,767

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

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

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

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

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

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

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

7 INTEREST INCOME

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

8 INTEREST EXPENSE

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

9 NET INVESTMENT GAINS/(LOSSES)

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

10 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Expected credit losses on loans to customers *(Note 17(b))*	**63,486**	12,304
Expected credit losses on term deposit with banks *(Note 18)*	**124**	31
Expected credit losses on other current assets	**(971)**	86
	62,639	12,421

11 OTHER OPERATING INCOME

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

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

12 GENERAL AND ADMINISTRATIVE EXPENSES

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

13 INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

14 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

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

(b) Diluted earnings per share

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

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

15 DIVIDENDS

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

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Summary of acquisition

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

On 25 January 2019, the Group invested RMB24,955,000 to set up Lianqietong (Shanghai) Technology Company Limited (鏈且通(上海)科技有限公司) ("Lianqietong") together with other 2 parties and obtained 55% of the equity interest of Lianqietong.

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

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

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

17 LOANS TO CUSTOMERS

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

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

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

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

Loans to customers are denominated in RMB and HKD.

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

(a) Aging analysis of loans to customers

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

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

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

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

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

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

(b) Movements on ECL allowances for loans to customers

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

Secured loans to customers

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

Unsecured loans to customers

Unaudited	**Six months ended 30 June 2019** **Stage 1** **12-month** **ECLs**	 **Stage 2** **Lifetime** **ECLs**	 **Stage 3** **Lifetime** **ECLs**	 **Total**
Loss allowances as at 1 January 2019	**25,287**	**—**	**140,706**	**165,993**
Transfers:				
Transfers from Stage 1 to Stage 2	**(906)**	**6,781**	**—**	**5,875**
Transfers from Stage 2 to Stage 3	**—**	**(5,233)**	**5,233**	**—**
New loans to customers originated	**118,715**	**—**	**—**	**118,715**
Changes in PDs/LGDs/EADs	**—**	**—**	**9,731**	**9,731**
Unwind of discount	**—**	**—**	**10,001**	**10,001**
Loans to customers derecognized during the period other than write-offs	**(119,646)**	**—**	**(4,427)**	**(124,073)**
Loss allowances as at 30 June 2019	**23,450**	**1,548**	**161,244**	**186,242**

Secured loans to customers

Audited	Year ended 31 December 2018 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Loss allowances as at 1 January 2018	3,931	79	74,834	78,844
Changes on initial application of HKFRS 9	2,913	504	—	3,417
Restated loss allowances as at 1 January 2018	6,844	583	74,834	82,261
Transfers:				
Transfers from Stage 1 to Stage 2	(3,542)	11,602	—	8,060
Transfers from Stage 2 to Stage 3	—	(8,409)	40,370	31,961
New loans to customers originated	11,608	—	—	11,608
Changes in PDs/LGDs/EADs	—	—	70,466	70,466
Unwind of discount	—	—	5,373	5,373
Loans to customers derecognized during the year other than write-offs	(7,869)	(2,107)	(36,970)	(46,946)
Write-offs	—	—	(1,314)	(1,314)
Recovery of the loans written-off in previous years	—	—	4,139	4,139
Loss allowances as at 31 December 2018	7,041	1,669	156,898	165,608

Unsecured loans to customers

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

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

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

Secured loans to customers

Unaudited	**Stage 1 12-month ECLs**	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Total**
	Six months ended 30 June 2019			
Gross carrying amount as at 1 January 2019	**425,994**	**9,537**	**841,624**	**1,277,155**
Transfers:				
Transfers from Stage 1 to Stage 2	**(43,590)**	**43,590**	**—**	**—**
Transfers from Stage 2 to Stage 3	**—**	**(28,500)**	**28,500**	**—**
Loans to customers derecognized during the period other than write-offs	**(312,985)**	**(6,490)**	**(101,179)**	**(420,654)**
New loans to customers originated	**302,617**	**—**	**—**	**302,617**
Changes in interest accrual	**(360)**	**351**	**14,807**	**14,798**
Gross carrying amount as at 30 June 2019	**371,676**	**18,488**	**783,752**	**1,173,916**

Unsecured loans to customers

Unaudited	**Six months ended 30 June 2019** **Stage 1** **12-month** **ECLs**	**Stage 2** **Lifetime** **ECLs**	**Stage 3** **Lifetime** **ECLs**	**Total**
Gross carrying amount as at 1 January 2019	**596,490**	**—**	**196,239**	**792,729**
Transfers:				
Transfers from Stage 1 to Stage 2	**(46,495)**	**46,495**	**—**	**—**
Transfers from Stage 2 to Stage 3	**—**	**(8,199)**	**8,199**	**—**
Loans to customers derecognized during the period other than write-offs	**(1,949,483)**	**(28,480)**	**(6,152)**	**(1,984,115)**
New loans to customers originated	**2,184,382**	**—**	**—**	**2,184,382**
Changes in interest accrual	**6,100**	**2,877**	**34,192**	**43,169**
FX and other movements	**(146)**	**—**	**—**	**(146)**
Gross carrying amount as at 30 June 2019	**790,848**	**12,693**	**232,478**	**1,036,019**

Secured loans to customers

Audited	Year ended 31 December 2018 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 1 January 2018	344,838	6,115	860,134	1,211,087
Transfers:				
Transfers from Stage 1 to Stage 2	(123,505)	123,505	—	—
Transfers from Stage 2 to Stage 3	—	(93,434)	93,434	—
Loans to customers derecognized during the year other than write-offs	(425,832)	(26,649)	(188,509)	(640,990)
New loans to customers originated	629,324	—	—	629,324
Changes in interest accrual	1,169	—	77,879	79,048
Write-offs	—	—	(1,314)	(1,314)
Gross carrying amount as at 31 December 2018	425,994	9,537	841,624	1,277,155

Unsecured loans to customers

Audited	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
	Year ended 31 December 2018			
Gross carrying amount as at 1 January 2018	717,314	—	226,492	943,806
Transfers:				
Transfers from Stage 1 to Stage 2	(93,108)	93,108	—	—
Transfers from Stage 2 to Stage 3	—	(11,568)	11,568	—
Loans to customers derecognized during the year other than write-offs	(4,299,402)	(81,540)	(71,383)	(4,452,325)
New loans to customers originated	4,264,586	—	—	4,264,586
Changes in interest accrual	7,100	—	30,922	38,022
Write-offs	—	—	(1,360)	(1,360)
Gross carrying amount as at 31 December 2018	596,490	—	196,239	792,729

18 CASH AT BANK AND CASH ON HAND

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

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

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

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

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

As at 30 June 2019, restricted term deposits of US$49.8 million (31 December 2018: US$85.2 million), which is equivalent to RMB342.4 million (before impairment allowance) (31 December 2018: RMB584.6 million), were pledged with banks to secure bank borrowings with principal amount of 311.5 million (31 December 2018: RMB491.0 million) (Note 20).

As at 30 June 2019, restricted term deposits of RMB500.5 million were pledged with banks to secure bank borrowings with principal amount of RMB479.0 million (31 December 2018: restricted term deposits of RMB78.7 million were pledged with banks to secure bank borrowings with principal amount of RMB74.0 million) (Note 20).

19 SHARE CAPITAL

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

20 BORROWINGS

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

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

As at 30 June 2019, bank borrowings with principal amount of RMB311.5 million (31 December 2018: RMB491.0 million) were secured by restricted term deposits of US$49.8 million (31 December 2018: US$85.2 million) (Note 18).

As at 30 June 2019, bank borrowings with principal amount of RMB479.0 million were secured by restricted term deposits of RMB 500.5 million (31 December 2018: bank borrowings with principal amount of RMB74.0 million were secured by restricted term deposits of RMB78.7 million) (Note 18).

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

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

(b) As at 30 June 2019, borrowings from micro-finance company with principal amount of RMB40.0 million are guaranteed by Jiangsu Wuzhong Group Co. Ltd ("Wuzhong Group") (31 December 2018: RMB55.0 million).

(c) As at 30 June 2019, borrowings from securities company with principal amount of RMB15.5 million are pledged by listed equity investment held by the Group (31 December 2018: RMB15.5 million).

(d) As at 30 June 2019, SME private placement bond was issued to fund the lending business to small and micro enterprises in the Jiangsu Province. The bond has a maturity within one year and bears fixed interest rate of 7.3% per annum (2018: Nil). The bond was guaranteed by Jiang Su Jin Chuang Credit Re-guarantee Company ("江蘇金創信用再擔保") (2018: Nil).

(e) As at 30 June 2019, there is no private placement note (31 December 2018: private placement note with principal amount of RMB12.5 million were guaranteed by Wuzhong Group).

21 COMMITMENTS

(a) Operating lease commitments

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

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

(b) Capital commitments

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

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

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 + 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.

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

1. BUSINESS REVIEW AND DEVELOPMENT

1.1 Inclusive Finance Business Division

Inclusive finance business division conducts its business through platforms such as Suzhou Wuzhong Pawnshop Co. Ltd* (蘇州市吳中典當有限責任公司) ("Wuzhong Pawnshop") (the largest pawnshop in Mainland China in terms of paid-up registered capital (RMB1,000 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), 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伙企業(有限合伙)) ("Huifang Rongtong") (a company with paid-up registered capital of RMB100 million, and partially owned by a state-owned enterprise). Such division operates inclusive finance business by adhering to inclusive finance principle of small scale and decentralization and has attached great importance to risk prevention and control. Major products under this division include secured loans (including real estate backed loans and personal property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and bank-bridge loan), which focus on solving problems of short-term business turnover of SMEs and personal short-term capital turnover. The business of inclusive finance business division has covered over ten cities including Suzhou, Nanjing, Nantong, Hong Kong, Chengdu, Wuhan and Hefei, and is striving to become a leading service provider of inclusive finance in the PRC.

(a) *Wuzhong Pawnshop*

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

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

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

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

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

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

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

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

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

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

(c) *Dongshan Micro-finance*

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

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

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

1.2 Technology Finance Business Division

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

(a) *Aomeishu — Technical Loan Facilitation*

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

(b) *Huida — Technology Factoring Business*

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

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

(c) *Supply Chain Management*

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

1.3 Online Lending Intermediary Business Division

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

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

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

1.4 Insurance Brokerage Business Division

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

2. FINANCIAL REVIEW

2.1 Overall Financial Data

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

2.2 Financial Analysis on Four Principal Business Divisions

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

2.2.1 *Inclusive Finance Business Division*

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

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

2.2.2 ***Technology Finance Business Division***

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

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

2.2.3 ***Online Lending Intermediary Business Division***

	For the six months ended 30 June 2019 *RMB'000*
Operating income	7,077
Operating expenses and expected credit loss	4,916
Profit before tax	2,161

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

2.2.4 *Insurance Brokerage Business Division*

	For the six months ended 30 June 2019 *RMB'000*
Operating income	684
Operating expenses and expected credit loss	587
Profit before tax	97

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

2.2.5 *Headquarters Management*

	For the six months ended 30 June 2019 *RMB'000*
Operating income	62,589
Operating expenses and expected credit loss	20,519
Profit before tax	42,070

3. CREDIT RISK

3.1 Loan Classification and Impairment Allowances

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

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

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

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

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

3.2 New Loans under Legal Proceedings

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

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

4. BORROWINGS

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

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

As at 30 June 2019, bank borrowings with principal amount of RMB311,500 thousand (31 December 2018: RMB491,000 thousand) were secured by restricted term deposits of RMB49,800 thousand (31 December 2018: RMB85,200 thousand).

As at 30 June 2019, bank borrowings with principal amount of RMB479,000 thousand (31 December 2018: RMB74,000 thousand) were secured by restricted term deposits of US$500,500 thousand (31 December 2018: US$78,700 thousand).

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

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

(b) As at 30 June 2019, borrowings from micro-finance company with principal amount of RMB40,000 thousand are guaranteed by Jiangsu Wuzhong Group Co., Ltd.* (江蘇吳中集團有限公司) ("Wuzhong Group") (31 December 2018: RMB55,000 thousand).

(c) As at 30 June 2019, borrowings from securities company with principal amount of RMB15,500 thousand are pledged by listed equity investment held by the Group (31 December 2018: RMB15,500 thousand).

(d) In 2019, certain SME private placement bond was issued to outside investor by the Group, whose funding was then used in the lending business to small and micro enterprise in Jiangsu Province. The bond has a maturity within one year and bears fixed interest rate of 7.3% per annum (2018: Nil). As at 30 June 2019, the bond was guaranteed by Jiang Su Jing Chuang Credit Re-guarantee Company* (江蘇金創信用再擔保公司) (2018: Nil).

(e) As at 30 June 2019, there was no private placement note which were guaranteed by Wuzhong Group (31 December 2018: private placement note with principal amount of RMB12,500 thousand) was guaranteed by Wuzhong Group.

5. CAPITAL EXPENDITURE

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

6. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

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

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

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

On 25 January 2019, Lianqietong (Shanghai) Technology Co., Ltd.* (鏈且通(上海)科技有限公司) was established in Shanghai to develop supply chain technology finance business, and capital injection made by the Company amounted to RMB2,495.5 thousand.

7. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

7.1 Contingencies

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

7.2 Commitments

(a) ***Operating Lease Commitments***

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

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

(b) *Capital Commitments*

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

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

7.3 Cash Usage Analysis

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

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

Net Cash Flow from Operating Activities

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

Net Cash Flow from Financing Activities

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

8. HUMAN RESOURCE AND EMPLOYEE BENEFITS

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

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

9. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

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

10. EVENTS AFTER REPORTING PERIOD

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

PROSPECTS

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

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

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

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

DIVIDEND

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

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

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

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the Board, the Company has complied with the principles and code provisions set out in the CG Code during the six months ended 30 June 2019, except for Code Provision A.2.1 which requires that the role of chairman and chief executive officer should be separated 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 for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all Directors of the Company, and the Directors have confirmed that they had complied with the Model Code during the six months ended 30 June 2019.

CHANGE IN DIRECTORS' INFORMATION

From 1 January 2019 to the date of this announcement, the changes in the Directors' information of the Company are as follows:

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

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

REVIEW OF INTERIM RESULTS

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2019 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnhuirong.com) respectively. The 2019 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
China Huirong Financial Holdings Limited
WU Min
Chairman

Suzhou China, 23 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Wu Min and Mr. Zhang Changsong, the non-executive directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng, Mr. Ling Xiaoming and Ms. Zhang Shu and the independent non-executive directors of the Company are Mr. Zhang Huaqiao, Mr. Feng Ke and Mr. Tse Yat Hong.