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Wealthy Way Group Limited

富道集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3848)

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

The board (the “Board”) of directors (the “Directors”) of Wealthy Way Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue	5	85,637	35,895
Other income		4,910	1,262
Employee benefit expenses		(9,802)	(4,579)
Allowance for expected credit losses		(9,854)	(250)
Depreciation		(2,405)	(292)
Other operating expenses		(19,072)	(4,481)
Finance cost	6	(36,308)	(15,753)
Profit before income tax	8	13,106	11,802
Income tax expense	7	(768)	(3,231)

		Six months ended 30 June	
		2019	2018
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company:			
Equity holders of the Company		9,253	8,571
Non-controlling interests		<u>3,085</u>	<u>—</u>
		<u>12,338</u>	<u>8,571</u>
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		<u>(760)</u>	<u>343</u>
Total comprehensive income for the period		<u>11,578</u>	<u>8,914</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		8,493	8,914
Non-controlling interests		<u>3,085</u>	<u>—</u>
		<u>11,578</u>	<u>8,914</u>
Earnings per share (RMB cents):			
Basic and diluted	10	<u>6.2</u>	<u>6.0</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019	31 December 2018
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	4,382	3,359
Loan and account receivables	12	340,144	472,140
Right of use asset		9,715	—
Deferred tax assets		23,837	21,406
		378,078	496,905
Current assets			
Loan and account receivables	12	1,189,895	1,004,200
Prepayments, deposits and other receivables		52,970	2,353
Cash and cash equivalents		39,840	61,201
Amounts due from related parties		65	290
Tax recoverable		—	410
		1,282,770	1,068,454
Current liabilities			
Deposits from financial leasing customers		2,671	5,880
Accruals and other payables		20,852	17,208
Contingent consideration payable		16,184	19,600
Amounts due to related parties		1,503	845
Amount due to ultimate holding company		2	—
Lease liability — current		4,149	—
Dividend payable to non-controlling interests		287	13,768
Bank and other borrowings	13	389,302	302,595
Tax payable		1,373	5,821
		436,323	365,717
Net current assets		846,447	702,737
Total assets less current liabilities		1,224,525	1,199,642

		30 June 2019	31 December 2018
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current liabilities			
Deposits from financial leasing customers		11,833	25,543
Bank and other borrowings	13	384,712	405,620
Contingent consideration payable		—	16,184
Promissory note		66,140	75,846
Lease liability — non-current		<u>5,690</u>	<u>—</u>
		<u>468,375</u>	<u>523,193</u>
Net assets		<u>756,150</u>	<u>676,449</u>
EQUITY			
Share capital	14	1,346	1,248
Reserves		<u>528,966</u>	<u>502,397</u>
Total equity attributable to equity holders of the Company		580,312	503,645
Non-controlling interests		<u>175,838</u>	<u>172,804</u>
Total equity		<u>756,150</u>	<u>676,449</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital RMB'000	Proposed final dividend [#] RMB'000	Share premium [#] RMB'000	Share- based payment reserve [#] RMB'000	Exchange reserve [#] RMB'000	Other reserve [#] RMB'000	Statutory surplus reserve [#] RMB'000	Retained profits [#] RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total Equity RMB'000
At 31 December 2017 as originally presented	<u>1,248</u>	<u>—</u>	<u>163,723</u>	<u>—</u>	<u>(4,216)</u>	<u>218,400</u>	<u>13,164</u>	<u>94,182</u>	<u>486,501</u>	<u>—</u>	<u>486,501</u>
Initial adoption of HKFRS 9	—	—	—	—	—	—	—	(29,345)	(29,345)	—	(29,345)
Adjusted balance as at 1 January 2018	<u>1,248</u>	<u>—</u>	<u>163,723</u>	<u>—</u>	<u>(4,216)</u>	<u>218,400</u>	<u>13,164</u>	<u>64,837</u>	<u>457,156</u>	<u>—</u>	<u>457,156</u>
Comprehensive income:											
Profit for the period	—	—	—	—	—	—	—	8,571	—	—	8,571
Other comprehensive income:											
Exchange differences arising on translating foreign operations	—	—	—	—	343	—	—	—	—	—	343
Total comprehensive income for the period	—	—	—	—	343	—	—	8,571	—	—	8,914
Transferred to statutory surplus reserve	—	—	—	—	—	—	1,112	(1,112)	—	—	—
At 30 June 2018 (unaudited)	<u>1,248</u>	<u>—</u>	<u>163,723</u>	<u>—</u>	<u>(3,873)</u>	<u>218,400</u>	<u>14,276</u>	<u>72,296</u>	<u>—</u>	<u>—</u>	<u>466,070</u>
At 31 December 2018	<u>1,248</u>	<u>3,795</u>	<u>159,928</u>	<u>4,080</u>	<u>(2,730)</u>	<u>239,741</u>	<u>16,766</u>	<u>80,817</u>	<u>503,645</u>	<u>172,804</u>	<u>676,449</u>
Adoption of HKFRS 16	—	—	—	—	—	—	—	(7)	(7)	(51)	(58)
Adjusted balance as at 31 December 2018	<u>1,248</u>	<u>3,795</u>	<u>159,928</u>	<u>4,080</u>	<u>(2,730)</u>	<u>239,741</u>	<u>16,766</u>	<u>80,810</u>	<u>503,638</u>	<u>172,753</u>	<u>676,391</u>
2018 final dividend paid	—	(3,795)	—	—	—	—	—	—	(3,795)	—	(3,795)
Comprehensive income:											
Profit for the period	—	—	—	—	—	—	—	9,253	9,253	3,085	12,338
Other comprehensive expense:											
Exchange differences arising on translating foreign operations	—	—	—	—	760	—	—	—	760	—	760
Total comprehensive income for the period	—	—	—	—	760	—	—	9,253	6,218	3,085	9,303
Transactions with the equity holders of the Company:											
Issue of shares upon exercise of share options (Note 14a)	98	—	72,258	(8,353)	—	—	—	—	64,003	—	64,003
Equity settled share-based transactions	—	—	—	6,453	—	—	—	—	6,453	—	6,453
	<u>98</u>	<u>—</u>	<u>72,258</u>	<u>(1,900)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>70,456</u>	<u>—</u>	<u>70,456</u>
At 30 June 2019 (unaudited)	<u>1,346</u>	<u>—</u>	<u>232,186</u>	<u>2,180</u>	<u>(1,970)</u>	<u>239,741</u>	<u>16,766</u>	<u>90,063</u>	<u>580,312</u>	<u>175,838</u>	<u>756,150</u>

* Amount less than RMB1,000

These reserves accounts comprise the consolidated reserves of approximately RMB578,966,000 (six months ended 2018: approximately RMB464,822,000) in the consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2015. The registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is located at Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of financial leasing, factoring and advisory services, small loans and related loan facilitation services in the People's Republic of China (the "PRC").

The shares of the Company were listed on the Main Board of the Stock Exchange (the "Listing") on 21 July 2017.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of the Stock Exchange.

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

The condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2018, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, HKAS and Interpretation issued by the HKICPA.

The condensed consolidated financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair values. The condensed consolidated financial statements are presented in Renminbi ("RMB"). All values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements are unaudited but has been reviewed by the Company's audit committee.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated financial statements were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2018 other than changes in accounting policies resulting from adoption of new and revised HKFRSs effective for the accounting periods beginning on or after 1 January 2019.

Adoption of new and revised HKFRSs

In the current interim period, the Group has adopted, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated interim financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the adoption of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Impacts and changes in accounting policies of adoption on HKFRS 16 Leases

The Group has adopted HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

On transition, the Group has made the following adjustments upon adoption of HKFRS 16:

The Group recognised lease liabilities of approximately RMB4,720,000 and right-of-use assets of approximately RMB4,662,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial adoption. The weighted average lessee's incremental borrowing rate applied is 5.15%.

	Carrying amounts previously reported as at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 as at 1 January 2019 RMB'000
Non-current assets	496,905	4,662	501,567
Right-of-use assets	—	4,662	4,662
Current assets	1,068,454	—	1,068,454
Current liabilities	365,717	1,800	367,517
Lease liabilities	—	1,800	1,800
Non-current liabilities	523,193	2,920	526,113
Lease liabilities	—	2,920	2,920
Capital and reserves	676,449	(58)	676,391
Retained profits	503,645	(7)	503,638
Non-controlling interests	172,804	(51)	172,753

5. REVENUE AND SEGMENT INFORMATION

The Directors have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group is principally engaged in providing financial leasing, factoring and advisory services, small loans and related loan facilitation services in the PRC, and the executive Directors, being the chief operating decision maker of the Group, review the consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Interest income from financial leasing	20,746	23,638
Interest income from factoring	8,368	11,125
Loan facilitation service income	15,942	—
Loan interest income	40,517	—
Financial leasing advisory services income	64	1,132
	<u>85,637</u>	<u>35,895</u>

6. FINANCE COST

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	<u>36,308</u>	<u>15,753</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax — PRC	2,476	3,294
Deferred tax	<u>(1,708)</u>	<u>(63)</u>
	<u>768</u>	<u>3,231</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax under these jurisdictions for the six months ended 30 June 2019.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2019 (six months ended 30 June 2018 (unaudited): Nil).

Under the Enterprise Income Tax Law of PRC (the “EIT Law”) and the Implementation Regulation of the EIT Law, the subsidiaries in the PRC are subject to the tax rate of 25% on the estimated assessable profits during the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

No deferred tax liabilities have been provided in respect of temporary differences attributable to the retained profits of the subsidiaries in the PRC at 30 June 2019 (31 December 2018 (audited): Nil) as the Group is able to control the timing of reversal of the temporary differences and the directors of the Company considered that the subsidiaries in the PRC will not distribute any dividend in the foreseeable future.

8. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	156	355
Depreciation of right-of-use assets	1,946	—
Employee benefit expenses		
— Directors' remuneration	727	682
— Salaries and welfare	7,810	3,503
— Retirement benefit scheme contributions	1,265	394
	9,802	4,579
Operating lease expense	523	730

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018 (unaudited): Nil).

10. EARNINGS PER SHARE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	9,253	8,571
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	148,247	144,000
Effect of dilutive potential ordinary shares — share options (in '000)	367	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in '000)	148,614	144,000

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. The calculation of share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the six months ended 30 June 2019, the conversion of potential ordinary shares in relation to the share option has a dilutive effect to the basic earnings per share. For the six months ended 30 June 2018, the diluted earnings per share were equal to the basic earnings per share because the Company has no potential ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired motor vehicle and equipment at a total cost of approximately RMB1,400,000 (31 December 2018 (audited): approximately RMB778,000).

12. LOAN AND ACCOUNT RECEIVABLES

		As at 30 June 2019 RMB'000 (Unaudited)	As At 31 December 2018 RMB'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Financial leasing receivables	(a), (e)	331,334	431,072
Factoring loan receivables	(b), (e)	—	29,998
Small loans receivables	(c), (e)	<u>11,650</u>	<u>18,270</u>
		342,984	479,340
Less: Allowance for expected credit losses ("ECLs")		<u>(2,840)</u>	<u>(7,200)</u>
		<u>340,144</u>	<u>472,140</u>
Current assets			
Financial leasing receivables	(a), (e)	396,278	307,745
Factoring loan receivables	(b), (e)	178,714	210,448
Small loans receivables	(c), (e)	688,950	568,607
Account receivables	(d)	<u>15,550</u>	<u>3,602</u>
		1,279,492	1,090,402
Less: Allowance for ECLs		<u>(89,597)</u>	<u>(78,452)</u>
		<u>1,189,895</u>	<u>1,011,950</u>
Total loan and account receivables, net		<u><u>1,530,039</u></u>	<u><u>1,484,090</u></u>

Notes:

(a) Financial leasing receivables

For financial leasing receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The period for financial leasing contract are normally ranging from 0.5 to 8 years (31 December 2018 (audited): 1 to 8 years).

The Group's financial leasing receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the finance leases range from 5.2% to 18.7% (31 December 2018 (audited): 4.9% to 18.7%) per annum as at 30 June 2019.

As at 30 June 2019, the Group's financial leasing receivables with net carrying amount of approximately RMB205,842,000 (31 December 2018 (audited): RMB126,415,000) were carried at fixed-rate and the remaining balances of approximately RMB502,250,000 (31 December 2018 (audited): RMB576,540,000) were carried at variable-rate.

- (b) For the factoring loan receivables, the credit period granted to each of the customers is generally for a period of 0.25 year to two years (31 December 2018 (audited): one year to two years). The effective interest rate of the above factoring loan receivables is ranging from 7.3% to 12.1% (31 December 2018 (audited): 7.2% to 12.0%) per annum as at 30 June 2019.
- (c) For the small loans receivables, it primarily represented the micro-credit loans and guaranteed loans granted to the customers. The loan periods granted to each of the customers is generally for a period of one month to five years (31 December 2018 (audited): one week to five years). The effective interest rate of the above small loans receivables is ranging from 8.0% to 27.8% (31 December 2018 (audited): 8.0% to 27.8%) per annum as at 30 June 2019.
- (d) For account receivables, it comprises receivables in respect of loan facilitation services (31 December 2018 (audited): financial advisory services). The customers are obliged to settle the amounts according to the terms set out in the relevant contracts and, normally, no credit period is granted to customers.
- (e) In the event of default by customers, the Group might sell the collaterals, hence the management of the Group monitors the market value of collaterals to ensure the market values of collaterals at the end of reporting period are sufficient to cover the respective outstanding loan receivables from customers.

The directors of the Company consider that the fair values of current portion of loan receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The fair value of the non-current portion of loan receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. As such, the amortised cost of the non-current portion approximates its fair value.

	Minimum lease payments		Present value of minimum lease payments	
	As at		As at	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial leasing receivables comprise:				
Within one year	434,049	345,012	396,278	307,745
In more than one year but not more than five years	343,389	459,336	331,334	431,072
	777,438	804,438	727,612	738,817
Less: Unearned finance income	(49,826)	(65,531)	—	—
Present value of minimum lease payment	727,612	738,817	727,612	738,817

Based on the maturity date set out in the relevant contracts, ageing analysis of the Group's loan and account receivables (after allowance for ECLs) as of each reporting date is as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As At 31 December 2018 RMB'000 (Audited)
0 to 30 days	111,974	117,760
31 to 90 days	320,532	187,546
91 to 365 days	767,205	706,644
Over 365 days	330,328	472,140
	1,530,039	1,484,090

Allowance for ECLs on loan and account receivables which are short term in duration (i.e. loan term of less than one year) and for the remaining loan and account receivables are always measured at an amount equal to lifetime ECLs. Allowance for ECLs on loan receivables which are fall due over one year as at reporting date are measured at an amount of 12-m ECL.

Allowance for ECLs on loans to customers are estimated using a calculation model observable data as at the end of the reporting period, including the difference between (i) the interest rates of interest charged by the Group for the loans, and the PBOC benchmark lending rates; and (ii) administrative service cost of the Group. The Group has recognised allowance for ECLs, representing approximately 5.7% of the gross carrying amounts, against all loan and account receivables as at 30 June 2019 due to the collective assessments which indicated that these receivables may not be fully recoverable because of risks associated with the customers and the industries, in which the customers operate.

The following is a credit quality analysis of loan and account receivables under HKFRS 9.

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Neither overdue nor credit-impaired	1,488,683	1,465,953
Overdue but not credit-impaired		
— overdue within 30 days	35,984	27,635
— overdue within 30–90 days	37,261	7,047
Overdue and credit-impaired	<u>60,548</u>	<u>61,357</u>
	1,622,476	1,561,992
Less: Allowance for ECLs	<u>(92,437)</u>	<u>(85,652)</u>
	<u>1,530,039</u>	<u>1,476,340</u>

As at 30 June 2019, the Group considers the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions as the reporting date, the Group has transferred the 12-m ECL of loan and account receivables into lifetime ECL when there was significant increase in credit risk.

13. BANK AND OTHER BORROWINGS

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Bank loans — secured, repayable*:		
Within one year	112,664	252,351
More than one year, but not exceeding two years	158,516	149,020
More than two years, but not exceeding five years	226,835	256,600
Other loans — unsecured:		
Within one year	<u>275,999</u>	<u>50,244</u>
	774,014	708,215
Less: Amount shown under current liabilities	<u>(389,302)</u>	<u>(302,595)</u>
	<u>384,712</u>	<u>405,620</u>

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

As at 30 June 2019, the Group's bank borrowings were variable-rate borrowings which carried annual interest per annum ranging from 105% to 110% (31 December 2018 (audited): 105% to 110%) of the benchmark rate offered by the PBOC. As at 30 June 2019, the effective interest rates of the Group's secured bank loans were ranging from 5.0% to 8.2% (31 December 2018 (audited): 5.0% to 8.2%) per annum and that of the unsecured other borrowings was 16% (31 December 2018 (audited): 16%).

The Group's bank borrowings are denominated in RMB which is the functional currency of the relevant group entity.

14. SHARE CAPITAL

Authorised and issued share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary Shares of HK\$0.01 of each		
Authorised:		
At 1 January 2018, 31 December 2018 and 30 June 2019	<u>20,000,000,000</u>	<u>200,000</u>
	Number of ordinary shares	Amount RMB'000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 1 January 2019	144,000,000	1,248
Issue of shares upon exercise of share options (<i>note a</i>)	<u>11,163,000</u>	<u>98</u>
At 30 June 2019	<u>155,163,000</u>	<u>1,346</u>

Notes:

- (a) During the six months ended 30 June 2019, 3,960,000 and 7,203,000 share options were exercised at the exercise price of HK\$6.02 and HK\$7.00 per share, respectively. The total cash consideration received from the issuance of shares was approximately HK\$74,260,000 (equivalent to approximately RMB64,003,000), of which approximately HK\$112,000 (equivalent to approximately RMB98,000) was credited to issued share capital and the remaining balance of approximately HK\$74,148,000 (equivalent to approximately RMB63,905,000) was credited to the share premium account. In addition and amount attributable to the related share option of approximately HK\$9,682,000 (equivalent to approximately RMB8,353,000) has been transferred from share-based payment reserve to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The macro environment of the PRC was full of challenges in 2019. During the first half of 2019, the deleveraging reform in financial sector imposed direct pressure on the financial market of the PRC, which directly pulled up the market rates in the PRC. In addition, Sino-US trade friction brought more uncertainties to the market and therefore lowered the economic growth in the PRC. As most of the Group's customers are small and medium enterprises that are more volatile to the unfavourable changes of market conditions and economic environment, our management will continue to monitor the impacts of relevant factors on our business operation.

During the aforesaid reporting period, the revenue of the Group was derived from financial leasing interest income, factoring service income, loan facilitation service income, loan interest income, and advisory services income, accounting for approximately 24.2%, 9.8%, 18.6%, 47.3% and 0.1% of the total revenue of the Group, respectively. In view of the negative impact from the financial market in the PRC, the Directors took a prudent approach from the risk control perspective in signing new contracts with our potential customers.

As a result of the acquisition of equity interests in 深圳市浩森小額貸款股份有限公司 (Shenzhen Haosen Credit Joint Stock (Limited) Company*) (“Shenzhen Haosen”), the Group recorded an increase in revenue deriving from the new loan facilitation service income and loan interest income during the six months ended 30 June 2019. While the Directors anticipated sound and steady growth given the acquisition of the aforementioned microfinance company, which expanded the Group's sales channel and enabled the Group to allocate internal resources in a more efficient and effective manner. The Group benefits from the synergy effect from the acquisition of the microfinance company. The Group is now able to provide not only financial leasing, factoring and advisory services to its corporate customers, but also small loans to individual customers and other small private companies, which helped to broaden our customer base. The Group offers flexible financing services to potential customers in line with their respective scales and industries.

In the future, the Directors expect the acquisition of Wealth Ton Finance Group Limited, which was completed on 5 July 2019, to create cohesion and broaden our income source, and further, enable the Group to diversify its business portfolio and allow the Group to expand its operation and investments to the financial market in Hong Kong. The Directors believe that it is essential for the Group to maintain our continuing success by enlarging our customer base, expanding the Group's business to multiple markets, and keeping satisfactory relationships with our customers and banks.

FINANCIAL REVIEW

The following discussion and analysis pertains to the financial information of the Group.

Revenue

The Group's revenue was derived from (i) interest income from financial leasing; (ii) interest income from financial leasing related factoring; (iii) financial leasing advisory services income; (iv) other financial advisory services income; and (v) loan facilitation service income. The Group's financial leasing services include sale-leaseback as well as direct financial leasing.

The revenue recorded an increase by approximately 138.4% from approximately RMB35.9 million for the six months ended 30 June 2018 to approximately RMB85.6 million for the six months ended 30 June 2019. The increase was mainly due to the increase in loan facilitation service income and loan interest income in the first six months of 2019 derived from Shenzhen Haosen. For the six months ended 30 June 2019, the interest income from financial leasing contributed approximately RMB20.7 million (for the six months ended 30 June 2018: approximately RMB23.6 million). The interest income from financial leasing related factoring for the six months ended 30 June 2019 contributed approximately RMB8.4 million (for the six months ended 30 June 2018: approximately RMB11.1 million). For the six months ended 30 June 2019, the financial leasing advisory services income contributed approximately RMB0.1 million (for the six months ended 30 June 2018: approximately RMB1.1 million). The Directors intend to remain focused on the financial leasing services, factoring and microfinancing and loan facilitation service in the future to achieve long term growth.

Other income

Other income increased by approximately RMB3.6 million from approximately RMB1.3 million for the six months ended 30 June 2018 to approximately RMB4.9 million for the six months ended 30 June 2019 due to the overdue income penalty and other taxes refund resulted from the implementation of change in VAT rates.

Employee benefit expenses

Employee benefit expenses included primarily employee salaries and costs associated with other benefits. The employee benefit expenses increased by approximately RMB5.2 million or 113.0% from approximately RMB4.6 million for the six months ended 30 June 2018 to approximately RMB9.8 million for the six months ended 30 June 2019 due to the increase in the manpower for the Group's expanding business resulted from the acquisition of Shenzhen Haosen.

Other operating expenses

Other operating expenses included primarily the entertainment expense, legal and professional fee, travelling expenses, consultancy fee settled by grant of share options and marketing expenses, etc. For the six months ended 30 June 2019, the other operating expenses were approximately RMB19.1 million (for the six months ended 30 June 2018: approximately RMB4.5 million), representing approximately 22.3% of the Group's total revenue (the six months ended 30 June 2018: approximately 10.4%).

Finance Cost

The finance cost increased from approximately RMB15.8 million for the six months ended 30 June 2018 to approximately RMB36.3 million for the six months ended 30 June 2019 due to new borrowing raised and promissory note.

Profit for the period attributable to the equity holders of the Company

Profit for the period increased from approximately RMB8.6 million for the six months ended 30 June 2018 to approximately RMB9.3 million for the six months ended 30 June 2019 due to the loan facilitation income and interest derived from the acquisition of Shenzhen Haosen.

Interim dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Liquidity, financial resources and capital resources

As at 30 June 2019, the cash and cash equivalents were approximately RMB39.8 million (31 December 2018: approximately RMB61.2 million). The working capital (current assets less current liabilities) and total equity of the Group as at 30 June 2019 were approximately RMB704.0 million (31 December 2018: approximately RMB702.7 million) and approximately RMB756.2 million (31 December 2018: approximately RMB676.4 million).

As at 30 June 2019, the Group's bank borrowings with maturity within one year amounted to approximately RMB112.7 million (31 December 2018: approximately RMB252.4 million) and the Group's bank borrowings with maturity exceeding one year amounted to approximately RMB385.4 million (31 December 2018: approximately RMB405.6 million).

Gearing ratio (total borrowings/total equity) as at 30 June 2019 remained at approximately 102.4% (31 December 2018: approximately 104.7%).

Loan and account receivables

Loan and account receivables consisted of (i) financial leasing receivables including the principle and interest of financial leasing; (ii) factoring loan receivables; (iii) small loan receivables; and (iv) accounts receivables of upfront loan facilitation service fees. As at 30 June 2019, the loan and account receivables increased to RMB1,530.0 million (31 December 2018: approximately RMB1,476.3 million) due to the expansion of business.

Capital commitments

As at 30 June 2019, the Group had no capital commitments (31 December 2018: Nil).

Employees and remuneration policy

As at 30 June 2019, the Group employed 95 full time employees (as at 30 June 2018: 44) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB9.8 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB4.6 million). The Group recognizes the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options have been granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

RISK MANAGEMENT

During the six months ended 30 June 2019, the Group's business operations are conducted for the PRC market in the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in the PRC.

Being a financial leasing service and small loans service provider, the Group has implemented a risk management system to mitigate the risks arising for its daily operations. The risk management structure of the Group consists of the risk control committee at the top, under which are (i) risk management department, (ii) business development department, and (iii) accounting and finance department. Potential business opportunities are assessed by the business development department on the potential customer's background, credit records, financials and the underlying assets. The risk management department reviews all given information thoroughly and considers relevant risk factors. Where necessary, external legal advisors are engaged to assess the potential legal issues. The Group's accounting and finance department also works closely with the risk management department to assist in risk assessment by providing financial and tax opinions. The risk control committee as the final decision maker has the ultimate authority to approve each project. The Group also periodically conducts post-leasing management on the customers and monitors receivables to review the ongoing risk exposure of the Group.

The Directors take both macro and micro economic conditions into account before making business decisions. Given the recent volatility in PRC economy and financial market, the Group has been more cautious in the selection of high calibre customers.

The Group will continue to improve risk management capabilities by better allocation of resources and refining workflow process, such as involving credit assessment and approval procedures to enhance the customer selection process.

In addition, the Group intends to improve the information technology system to assist us in collecting more accurate information and allow us to be more effective in reviewing the financial and operational status of the customers. The Group will also continue to expand the risk management team to cater for the additional work arising from our business operations expansions, and allocate sufficient manpower to maintain appropriate risk reward balance.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities of guarantees (31 December 2018: Nil).

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

During the six months ended 30 June 2019, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

SHARE OPTION SCHEME

On 19 June 2017, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme") in accordance with the provision of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, advisor, consultant, service provider, agent, customer, partner or joint venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group ("Participants") as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and Substantial Shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 14,400,000 shares of the Company in total.

On 4 July 2018, under the Share Option Scheme, 4,320,000 share options to subscribe for an aggregate of 4,320,000 ordinary shares of HK\$0.01 each of the Company were granted to certain employees with validity period of the options from 4 July 2018 to 4 July 2019, and exercise price of HK\$6.02.

On 24 April 2019, under the Share Option Scheme, 10,075,000 share options to subscribe for an aggregate of 10,075,000 ordinary shares of HK\$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity periods of the options vary from (i) 24 April 2019 to 23 April 2022; (ii) 24 April 2019 to 23 April 2020; (iii) 24 April 2020 to 23 April 2021; and (iv) 24 April 2021 to 23 April 2022, and exercise price of HK\$7.00.

For options granted under the Share Option Scheme under 4 July 2018 and 24 April 2019, the exercise price in relation to each option was determined by the Board of Directors of the Company, but in any event would not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day or (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant or (iii) the par value of a share of the Company. For further details of the Grant of share option, please refer to the announcements of the Company published on the websites of the Company and the Stock Exchange on 4 July 2018 and 24 April 2019.

Set out below are details of the outstanding options under the Share Option Scheme:

Name of Grantee	Grant date	Exercise period	Exercise price	Number of share options				
				Beginning of the reporting period	Granted during the reporting period	Exercised	Lapsed	Outstanding as at 30.6.2019
Director of the Company or its subsidiary								
XIE Weiquan	4 July 2018	4 July 2018– 4 July 2019	HK\$6.02	360,000	—	—	—	360,000
	24 April 2019	24 April 2019– 23 April 2020	HK\$7.00	—	30,000	—	—	30,000
	24 April 2019	24 April 2020– 23 April 2021	HK\$7.00	—	30,000	—	—	30,000
	24 April 2019	24 April 2021– 23 April 2022	HK\$7.00	—	40,000	—	—	40,000
Senior Management of the Company or its subsidiary								
LU Zemin	4 July 2018	4 July 2018– 4 July 2019	HK\$6.02	360,000	—	360,000	—	—

Name of Grantee	Grant date	Exercise period	Exercise price	Number of share options				
				Beginning of the reporting period	Granted during the reporting period	Exercised	Lapsed	Outstanding as at 30.6.2019
Other employees of the Company or its subsidiary or other eligible participants under the Share Option Scheme								
	4 July 2018	4 July 2018– 4 July 2019	HK\$6.02	3,600,000	—	3,600,000	—	—
	24 April 2019	24 April 2019– 23 April 2022	HK\$7.00	—	8,050,000	7,203,000	—	847,000
	24 April 2019	24 April 2019– 23 April 2020	HK\$7.00	—	577,500	—	—	577,500
	24 April 2019	24 April 2020– 23 April 2021	HK\$7.00	—	577,500	—	—	577,500
	24 April 2019	24 April 2021– 23 April 2022	HK\$7.00	—	770,000	—	—	770,000
				4,320,000	10,075,000	11,163,000	—	3,232,000

EVENTS AFTER THE REPORTING PERIOD

Acquisition of Wealth Ton Finance Group Limited (“Wealth Ton”) (the “Acquisition”)

On 5 July 2019, the completion of Acquisition took place as all conditions precedent in respect of the Acquisition as described under “Conditions Precedent” in the announcement dated 29 March 2019 and “Amendments and variations to the Agreement” in the announcement dated 14 June 2019 have been fulfilled.

The Group obtained 100% equity interests in the Wealth Ton as a result of the Acquisition, and Wealth Ton has become a direct wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Group.

Wealth Ton is principally engaged in advising and dealing in securities, comprising some licensed corporations in Hong Kong to carry on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and businesses as a money lender in Hong Kong governed by the Money Lenders Ordinance. The Acquisition is expected to create cohesion between the Company and Wealth Ton and broaden the income source together. Further, the Acquisition is expected to enable the Group to diversify its business portfolio and allow the Group to expand its operation and investments to the financial market in Hong Kong.

For further details of the Acquisition, please refer to the announcements of the Company dated 29 March 2019, 29 May 2019, 14 June 2019 and 5 July 2019 published on the websites of the Company and the Stock Exchange.

Issuance of HK\$20,000,000 8% bonds (the “Bonds”)

On 29 July 2019, the Company entered into a subscription agreement with Mr. Lo Wai Ho, the chairman and executive Director of the Company as the guarantor and an investor as the subscriber, in connection with the issue and sale of the Bonds. The Company intends to use the proceeds from the Bonds to finance the expansion of the existing business of the Group and for general working capital.

The guarantee provided by Mr. Lo in relation to the Bonds constitutes financial assistance to be provided by a connected person for the benefit of the Company. Such financial assistance is on normal commercial terms or better and is not secured by the assets of the Group and is therefore exempted under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

For further details of the issuance of the Bonds, please refer to the announcements of the Company dated 22 July 2019 and 29 July 2019 published on the websites of the Company and the Stock Exchange.

Other than the events disclosed above, the Group had no material event after the Reporting Period.

OUTLOOK AND PLANS

In the first half of 2019, the Directors have seen the maintenance in overall stability of the overall economy in China. In the second half of 2019, the Group will continue with current prudent approach, effectively controlling cost and conservatively promoting business amongst customers of high calibre to adapt to this challenging environment. The Group will continue to enhance risk management capabilities; develop business with existing and new customers in industries with growth potential; strengthen management team by hiring senior staff with industry experience; and build up customer loyalty to the Group.

In the future, the Directors expect the acquisition of Wealth Ton Finance Group Limited, which was completed on 5 July 2019, to create cohesion and broaden our income source, and further, enable the Group to diversify its business portfolio and allow the Group to expand its operation and investments to the financial market in Hong Kong. The Directors believe that it is essential for the Group to maintain our continuing success by enlarging our customer base, expanding the Group's business to multiple markets, and keeping satisfactory relationships with our customers and banks.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the rules governing the listing of securities on the Stock Exchange Hong Kong Limited (“Listing Rules”). During the six months ended 30 June 2019, the Company had complied with all code provisions in the CG Code and had adopted most of the recommend best practices set out in the CG Code.

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. Ha Tak Kong, Mr. Ip Chi Wai and Ms. Hung Siu Woon Pauline. The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the six months ended 30 June 2019, complied with the required standards set out therein.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.cwl.com) and the Stock Exchange (www.hkexnews.hk). The 2019 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
Wealthy Way Group Limited
Lo Wai Ho
Chairman and Executive Director

Hong Kong, 28 August 2019

As at the date of this announcement, the Board comprises Mr. Lo Wai Ho and Ms. Chan Shuk Kwan Winnie as executive Directors; Mr. Xie Weiquan as non-executive Director; and Mr. Ha Tak Kong, Mr. Ip Chi Wai and Ms. Hung Siu Woon Pauline as independent non-executive Directors.

* *The English name is for identification purpose only*