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 2020

HIGHLIGHTS

	Six Months Ended 30 June		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Operating Results			
Operating income	**138,174**	178,659	–23%
Operating expenses	**22,832**	41,968	–46%
Profit attributable to owners of the Company	**893**	31,141	–97%
Basic earnings per share (RMB Yuan)	**0.001**	0.029	–97%

	As at 30 June 2020	As at 31 December 2019	Change
	RMB'000	*RMB'000*	*%*
Financial Position			
Total assets	**2,525,818**	3,001,631	–16%
Loans to customers	**1,803,589**	1,703,704	6%
Cash at bank and cash on hand	**518,150**	1,047,858	–51%
Net assets	**1,936,908**	1,948,444	–1%

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 2020 (the "Reporting Period") as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

	Note	Six Month ended 30 June 2020 Unaudited	2019 Unaudited
Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)			
— Basic earnings per share	*15*	**0.001**	0.029
— Diluted earnings per share	*15*	**0.001**	0.028
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period		**4,782**	39,208
Total comprehensive income for the period is attributable to:			
— Owners of the Company		**893**	31,141
— Non-controlling interests		**3,889**	8,067
		4,782	39,208

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(All amounts in RMB thousands unless otherwise state)

	Note	**As at 30 June 2020 Unaudited**	As at 31 December 2019 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**1,089**	1,649
Right-of-use assets		**43,595**	43,442
Construction in progress		**6,541**	—
Intangible assets		**3,910**	4,001
Loans to customers	*17*	**68,671**	—
Deferred income tax assets		**85,151**	76,438
Investments accounted for using the equity method		**1,500**	1,500
Financial asset at fair value through profit or loss		**440**	440
Total non-current assets		**210,897**	127,470
Current assets			
Other current assets		**27,219**	77,131
Commission fee receivables		**635**	1,795
Consulting service fee receivables		**567**	2,289
Loans to customers	*17*	**1,734,918**	1,703,704
Financial assets at fair value through profit or loss		**33,432**	33,432
Derivative financial instruments		**—**	7,952
Cash at bank and cash on hand	*18*	**518,150**	1,047,858
Total current assets		**2,314,921**	2,874,161
Total assets		**2,525,818**	3,001,631

	Note	As at 30 June 2020 Unaudited	As at 31 December 2019 Audited
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*19*	**8,641**	8,632
Share premium	*20*	**602,728**	601,993
Other reserves	*20*	**593,774**	596,266
Retained earnings		**574,105**	586,212
		1,779,248	1,793,103
Non-controlling interests		**157,660**	155,341
Total equity		**1,936,908**	1,948,444
LIABILITIES			
Non-current liabilities			
Lease liabilities		**6,149**	4,663
Borrowings	*21*	**50,380**	—
Total non-current liabilities		**56,529**	4,663
Current liabilities			
Other current liabilities		**21,210**	20,478
Current income tax liabilities		**19,312**	27,215
Amounts due to related parties		**4,134**	633
Dividends payable		**2,134**	1,262
Lease liabilities		**2,310**	2,706
Borrowings	*21*	**483,281**	996,230
Total current liabilities		**532,381**	1,048,524
Total liabilities		**588,910**	1,053,187
Total equity and liabilities		**2,525,818**	3,001,631

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION

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

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

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

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank and other financial institution facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance,

finance from other financial institutions for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial information. Further information on the Group's borrowings is given in Note 21.

3 SIGNIFICANT ACCOUNTING POLICIES

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

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

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

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

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

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

(a) *Credit risk*

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

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

(i) *Credit risk exposure*

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

Non-current	**As at 30 June 2020**			
	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)	—	—	—	—
Unsecured loans to customers (b)	**73,574**	—	—	**73,574**
Gross carrying amount	**73,574**	—	—	**73,574**
Loss allowances	**(4,903)**	—	—	**(4,903)**
Carrying amount	**68,671**	—	—	**68,671**

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

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

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

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

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

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

(iii) *Collateral and credit enhancement*

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

5.2 Fair value measurement of financial instruments

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

(a) *Fair value hierarchy*

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

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

Unaudited	**Level 1**	**Level 2**	**Level 3**	**Total**
As at 30 June 2020				
Financial assets at fair value through profit or loss	**33,432**	**440**	**—**	**33,872**

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

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

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

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

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

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

6 SEGMENT ANALYSIS

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

The board of the Group has appointed a strategic steering committee, which assesses the financial performance and market position of the Group and makes strategic decisions. The strategies steering committee, which has been identified as being the chief operating decision maker, coincides with the targets of the Group's Board of Directors.

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

(i) Business Segments

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

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

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

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

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

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

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

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

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

	As at 30 June 2020						
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	1,904,322	159,477	19,816	4,625	2,846,171	(2,408,593)	2,525,818
Segment liabilities	(239,093)	(41,604)	(193)	(125)	(485,440)	177,545	(588,910)

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

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

7 INTEREST INCOME

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

8 CONSULTANCY FEE INCOME

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

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

9 COMMISSION FEE INCOME AND EXPENSE

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

10 INTEREST EXPENSE

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

11 NET INVESTMENT (LOSSES)/GAINS

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

12 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Expected credit losses on loans to customers *(Note 17(b))*	**78,777**	63,486
Expected credit losses on financial guarantees	**1,177**	—
Expected credit losses on term deposit with banks *(Note 18)*	**—**	124
Expected credit losses on other current assets	**(857)**	(971)
	79,097	62,639

13 GENERAL AND ADMINISTRATIVE EXPENSES

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

14 INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

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

15 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

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

(b) Diluted earnings per share

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

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

16 DIVIDENDS

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

17 LOANS TO CUSTOMERS

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

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

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

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

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

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

(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:

Non-current	**As at 30 June 2020**		
Unaudited	**Secured loans to customers**	**Unsecured loans to customers**	**Total**
Within 3 months	**—**	**68,671**	**68,671**
	—	**68,671**	**68,671**

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

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

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

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

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

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

(b) Movements on ECL allowances for loans to customers

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

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

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

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

Current	Year ended 31 December 2019			
Secured loans	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
Audited	ECLs	ECLs	ECLs	Total
Loss allowances as at 31 December 2018	7,041	1,669	156,898	165,608
Transfers:				
Transfers from Stage 1 to Stage 2	(1,213)	10,086	—	8,873
Transfers from Stage 2 to Stage 3	—	(5,044)	5,390	346
New loans to customers originated	8,214	—	—	8,214
Changes in PDs/LGDs/EADs	462	699	97,806	98,967
Unwind of discount	—	—	12,173	12,173
Loans to customers derecognized during the year other than write-offs	(10,133)	(5,665)	(14,651)	(30,449)
Write-offs	—	—	(11)	(11)
Recovery of the loans written-off in previous years	—	—	63	63
Loss allowances as at 31 December 2019	4,371	1,745	257,668	263,784

Current	Year ended 31 December 2019			
Unsecured loans	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
Audited	ECLs	ECLs	ECLs	Total
Loss allowances as at 31 December 2018	25,287	—	140,706	165,993
Transfers:				
Transfers from Stage 1 to Stage 2	(2,328)	9,639	—	7,311
Transfers from Stage 2 to Stage 3	—	(9,425)	10,025	600
New loans to customers originated	82,384	—	—	82,384
Changes in PDs/LGDs/EADs	38	—	11,261	11,299
Unwind of discount	—	—	20,609	20,609
Loans to customers derecognized during the year other than write-offs	(77,460)	(214)	(8,262)	(85,936)
Write-offs	—	—	—	—
Recovery of the loans written-off in previous years	—	—	—	—
Loss allowances as at 31 December 2019	27,921	—	174,339	202,260

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

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

Non-current	**Six months ended 30 June 2020**			
Unsecured loans	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month	**Lifetime**	**Lifetime**	
Unaudited	**ECLs**	**ECLs**	**ECLs**	**Total**
Gross carrying amount as at 31 December 2019	**—**	**—**	**—**	**—**
Transfers:				
Transfers from Stage 1 to Stage 2	**—**	**—**	**—**	**—**
Transfers from Stage 2 to Stage 3	**—**	**—**	**—**	**—**
New loans to customers originated	**73,000**	**—**	**—**	**73,000**
Changes in interest accrual	**574**	**—**	**—**	**574**
Gross carrying amount as at 30 June 2020	**73,574**	**—**	**—**	**73,574**

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

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

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

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

18 CASH AT BANK AND CASH ON HAND

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

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

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

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

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

As at 30 June 2020, restricted deposits with securities company of RMB1,907 thousand (31 December 2019: same) are cash dividends received from listed equity securities and pledged with a securities company to secure borrowings with principle amount of RMB10.0 million (31 December 2019: same) (Note 21(d)).

As at 30 June 2020, restricted term deposits of US$33.2 million (31 December 2019: US$50.2 million), which is equivalent to RMB235.0 million (31 December 2019: RMB350.2 million), are pledged with banks to secure bank borrowings with principal amount of RMB204.0 million (31 December 2019: RMB315.0 million) (Note 21(b)).

As at 30 June 2020, restricted term deposits of RMB68.5 million (31 December 2019: RMB275.9 million) are pledged with banks to secure bank borrowings with principal amount of RMB65.0 million (31 December 2019: RMB261.5 million) (Note 21(b)).

19 SHARE CAPITAL

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

(i) Movements in ordinary shares

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

20 SHARE PREMIUM AND OTHER RESERVES

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

(a) Statutory reserve

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

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

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

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

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

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

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

(i) ***Issue of shares under share-based payments***

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

(c) Transactions with non-controlling interests

On 13 January 2020, the Group further acquired 10% equity interests in 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") for cash consideration of RMB30.0 million.

(d) Capital injections from non-controlling interests

On 29 May 2020, two new shareholders acquired 40% of the equity interests in Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司) ("Huida Commercial Factoring") through capital injections of RMB40.0 million.

21 BORROWINGS

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

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

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

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

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

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

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

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

22 COMMITMENTS

(a) Capital commitments

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

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 plus technology finance", for striving to offer comprehensive financial services to small and medium enterprises ("SMEs") and individual clients as well as offer quality and safe financial assets to investors and financial institutions. As our brand has been well recognised by the public with our stable asset quality and our continuously improved profitability, we have gradually developed into a company that offers comprehensive fin-tech services.

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

1. BUSINESS REVIEW AND DEVELOPMENT

1.1 Inclusive Finance Business Division

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

(a) *Wuzhong Pawnshop*

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

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

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

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

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

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

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

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

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

Huifang Rongtong primarily offers bank bridge loan. Bank bridge loan primarily provides funds for bridge of bank loans to SMEs who has continuous banking facility, with the features of low risks and high turnover rates. Currently, Huifang Rongtong has reached strategic cooperation on such bank bridge loan with more than 26 banks. We had established a sub-loan fund with

Suzhou Wuzhong Financial Holdings Group Limited* (蘇州市吳中金融控股有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province, and such government-enterprise cooperation fund is scarce in Suzhou and even Jiangsu Province. Such fund has served a large number of SMEs and local government platforms and accumulated over 1,000 individual and corporate customers.

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

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

(c) ***Dongshan Micro-finance***

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

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

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

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

1.2 Technology Finance Business Division

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

(a) *Suzhou Huida Commercial Factoring Co., Ltd.* (蘇州匯達商業保理有限公司) ("Huida Commercial Factoring") Business*

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

	For the six months ended 30 June	
	2020	2019
Total number of new transactions relating to accounts receivable assignment	**8**	4
Total amount of new transactions relating to accounts receivable assignment (RMB' million)	**86**	31

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

(b) ***Supply Chain Management***

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

(c) ***Hong Kong Operation***

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

1.3 Online Lending Intermediary Business Division

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

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

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

1.4 Insurance Brokerage Business Division

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

2. FINANCIAL REVIEW

2.1 Overall Financial Data

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

2.2 Financial Analysis on Four Principal Business Divisions and Headquarters Management

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

2.2.1 *Inclusive Finance Business Division*

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

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

2.2.2 *Technology Finance Business Division*

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

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

2.2.3 *Online Lending Intermediary Business Division*

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

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

2.2.4 *Insurance Brokerage Business Division*

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

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

2.2.5 *Headquarters Management*

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

3. CREDIT RISK

3.1 Loan Classification and Impairment Allowances

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

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

Current	**As at 30 June 2020**				**As at 31 December 2019**
	ECL staging				
Unaudited	**Stage 1 12-month 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 (a)	340,293	15,017	865,730	1,221,040	1,171,957
Unsecured loans to customers (b)	785,723	16,882	270,708	1,073,313	997,791
Gross carrying amount	1,126,016	31,899	1,136,438	2,294,353	2,169,748
Loss allowances	(27,047)	(7,792)	(524,596)	(559,435)	(466,044)
Carrying amount	1,098,969	24,107	611,842	1,734,918	1,703,704
Term deposits with banks					
Credit grade					
AAA	431,673	—	—	431,673	847,725
Gross carrying amount	431,673	—	—	431,673	847,725
Loss allowances	(164)	—	—	(164)	(164)
Carrying amount	431,509	—	—	431,509	847,561

Current	As at 30 June 2020				As at 31 December 2019
	ECL staging				
Unaudited	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other current assets (excluding repossessed assets)					
Gross carrying amount	19,680	—	9,669	29,349	61,265
Loss allowances	(5)	—	(2,125)	(2,130)	(3,320)
Carrying amount	19,675	—	7,544	27,219	57,945
Guarantee and commitment					
Financial guarantees	17,600	—	—	17,600	—

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

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

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

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

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

3.2 New Loans under Legal Proceedings

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

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

4. BORROWINGS

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

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

(b) Current bank borrowings with maturity within one year bear fixed interest rates ranging from 4.48% to 5.80% per annum for the six months ended 30 June 2020 (2019: fixed rate from 3.45% to 5.87%).

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

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

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

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

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

5. CAPITAL EXPENDITURE

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

6. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

6.1 Acquisition of Dongshan Micro-finance

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

6.2 Disposal of Huida Commercial Factoring

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

7. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

7.1 Contingencies

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

7.2 Commitments

(a) ***Capital commitments***

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

7.3 Cash Usage Analysis

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

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

Net Cash Flow from Operating Activities

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

Net Cash Flow from Financing Activities

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

8. HUMAN RESOURCE AND EMPLOYEE BENEFITS

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

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

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

9. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

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

10. EVENTS AFTER REPORTING PERIOD

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

PROSPECTS

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

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

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

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

DIVIDEND

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

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

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

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 2020, 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 2020.

CHANGE IN DIRECTORS' INFORMATION

From 1 January 2020 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 a non-executive director and the chairman of the board of directors of China Smartpay Group Holdings Limited (the shares of which are listed on the Stock Exchange, stock code: 8325) since 20 January 2020.

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

REVIEW OF INTERIM RESULTS

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

ADDITIONAL INFORMATION ON THE UTILISATION OF PROCEEDS OF EQUITY FUNDRAISING

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2020 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnhuirong.com) respectively. The 2020 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, 28 August 2020

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.

* *For identification purpose only*