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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 2020

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 2020, together with the comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue	5	100,047	85,637
Other income		7,857	4,910
Employee benefit expenses		(17,728)	(9,802)
Depreciation		(2,628)	(2,405)
Operating lease expense		(201)	(523)
Other operating expenses		(11,877)	(18,549)
Allowance for expected credit losses (“ECL”) on loan and account receivables, net		(23,161)	(9,854)
Finance cost	6	(31,970)	(36,308)
Profit before income tax	7	20,339	13,106
Income tax expense	8	(7,993)	(768)
Profit for the period		12,346	12,338

		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		10,617	9,253
Non-controlling interests		1,729	3,085
		<u>12,346</u>	<u>12,338</u>
Other comprehensive (expense)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		1,087	760
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on financial assets at fair value through other comprehensive income ("FVOCI")		4,503	—
		<u>17,936</u>	<u>13,098</u>
Total comprehensive income for the period, net of income tax			
		<u>17,936</u>	<u>13,098</u>
Total comprehensive income for the period attributable to:			
Equity holders of the Company		16,207	10,013
Non-controlling interests		1,729	3,085
		<u>17,936</u>	<u>13,098</u>
Earnings per share attributable to equity holders of the Company (RMB cents):			
Basic	10	<u>6.83</u>	<u>6.24</u>
Diluted	10	<u>6.80</u>	<u>6.23</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,283	4,136
Right-of-use assets		3,953	5,153
Intangible assets		9,021	8,847
Financial assets at FVOCI		46,440	49,684
Deposits for acquisition of investment properties		–	22,000
Other assets		418	382
Loan and account receivables	11	152,414	244,493
Prepayments, deposits and other receivables		1,036	1,289
Deferred tax assets		23,384	20,240
		239,949	356,224
Current assets			
Loan and account receivables	11	1,329,985	1,280,391
Prepayments, deposits and other receivables		35,536	31,212
Amounts due from related parties		–	146
Cash and cash equivalents		99,850	42,666
		1,465,371	1,354,415
Current liabilities			
Account payables	12	22,294	6,626
Deposits from financial leasing customers		12,239	11,829
Accruals and other payables		22,230	45,623
Amounts due to related parties		153	3,572
Lease liabilities		1,968	2,708
Dividend payable		–	392
Contingent consideration payable		–	19,600
Bond payable		36,463	17,879
Bank and other borrowings	13	410,567	373,198
Tax payable		7,760	7,933
		513,674	489,360
Net current assets		951,697	865,055
Total assets less current liabilities		1,191,646	1,221,279

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
	<i>Notes</i>		
Non-current liabilities			
Deposits from financial leasing customers		2,820	3,495
Lease liabilities		2,119	2,549
Bank and other borrowings	13	299,988	353,972
Promissory note		69,268	66,922
		374,195	426,938
Net assets		817,451	794,341
EQUITY			
Share capital	14	1,349	1,349
Reserves		636,475	615,094
Total equity attributable to equity holders of the Company		637,824	616,443
Non-controlling interests		179,627	177,898
Total equity		817,451	794,341

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital	Proposed final dividend [#]	Share premium [#]	Share-based payment reserve [#]	Exchange reserve [#]	Other reserve [#]	Statutory surplus reserve [#]	Retained profits [#]	Total	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018											
as originally presented	1,248	3,795	159,928	4,080	(2,730)	239,741	16,766	80,817	503,645	172,804	676,449
Adoption of HKFRS 16	—	—	—	—	—	—	—	(7)	(7)	(51)	(58)
Adjusted balance as at 31 December 2018	1,248	3,795	159,928	4,080	(2,730)	239,741	16,766	80,810	503,638	172,753	676,391
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	98	—	72,258	(8,353)	—	—	—	—	64,003	—	64,003
Equity settled share-based transactions	—	—	—	6,453	—	—	—	—	6,453	—	6,453
	98	—	72,258	(1,900)	—	—	—	—	70,456	—	70,456
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>

	Share capital	Proposed final dividend [#]	Share premium [#]	Share-based payment reserve [#]	Exchange reserve [#]	Other reserve [#]	Statutory surplus reserve [#]	FVOCI reserve [#]	Retained profits [#]	Total	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,349	6,952	227,853	1,871	(1,002)	239,883	37,821	5,684	96,032	616,443	177,898	794,341
Comprehensive income:												
Profit for the period	-	-	-	-	-	-	-	-	10,617	10,617	1,729	12,346
Other comprehensive income/ (expense):												
Exchange differences arising on translating foreign operations	-	-	-	-	1,087	-	-	-	-	1,087	-	1,087
Fair value gain on financial assets at FVOCI	-	-	-	-	-	-	-	4,503	-	4,503	-	4,503
Total comprehensive income for the period	-	-	-	-	1,087	-	-	4,503	10,617	16,207	1,729	17,936
Transactions with the equity holders of the Company:												
Equity settled share options payment	-	-	-	5,174	-	-	-	-	-	5,174	-	5,174
Share options lapsed	-	-	-	(337)	-	-	-	-	337	-	-	-
Share options forfeited	-	-	-	(30)	-	-	-	-	30	-	-	-
	-	-	-	4,807	-	-	-	-	367	5,174	-	5,174
Transferred to statutory surplus reserve	-	-	-	-	-	-	861	-	(861)	-	-	-
At 30 June 2020 (unaudited)	<u>1,349</u>	<u>6,952</u>	<u>227,853</u>	<u>6,678</u>	<u>85</u>	<u>239,883</u>	<u>38,682</u>	<u>10,187</u>	<u>106,155</u>	<u>637,824</u>	<u>179,627</u>	<u>817,451</u>

[#] These reserves accounts comprise the consolidated reserves of approximately RMB636,475,000 (the six months ended 30 June 2019 (unaudited): approximately RMB578,966,000) in the unaudited condensed consolidated statement of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

Wealthy Way Group Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2015 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”) by way of placing and public offer of shares (the “Share Offer”) on 21 July 2017. 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 (i) provision of financial leasing, factoring and financial advisory services in the People’s Republic of China (the “PRC”), (ii) provision of small loans and related loan facilitation services in the PRC; and (iii) provision of investment management and advisory services, securities dealing and broking services and other financial services in Hong Kong. In the opinion of the directors of the Company, the ultimate holding company of the Group is Wealthy Rise Investment Limited (“Wealthy Rise”), a company incorporated in the British Virgin Island (“BVI”) which is wholly owned by Mr. Lo Wai Ho (“Mr. Lo”).

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 application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing the condensed consolidated financial statements, the significant judgement made by the 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.

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 2019, 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 2019 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 2020.

Adoption of new and revised HKFRSs

In the current interim period, the Group has adopted, for the first time, the following new and revised HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 3 Amendments	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 Amendments	Interest Rate Benchmark Reform
HKAS 1 and HKAS 8 Amendments	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 16 Amendments	COVID-19 Related Rent Concessions

The application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current prior periods and/or the disclosures set out in the condensed consolidated financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

4. SEGMENT INFORMATION

HKFRS 8, Operating Segments, required identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company, for the purpose of resources allocation and performance assessment.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- | | |
|---|--|
| (i) Finance lease and factoring related services | – provision of (a) direct finance leasing; (b) sale-leaseback; (c) factoring; and (d) related advisory services in the PRC |
| (ii) Micro credit and loan facilitation related services | – provision of (a) micro credit; and (b) loan facilitation related services in the PRC |
| (iii) Securities dealing and broking and other financial services | – provision of securities brokerage, share placing and margin financing and other financial services in Hong Kong |

"Money lending" segment has been split into "Finance lease and factoring related services" segment and "Micro credit and loan facilitation related services" segment during the six months ended 30 June 2020. Certain comparative figures of segment information were therefore reclassified to conform with current period's presentation.

The Group's operating segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Finance lease and factoring related services <i>RMB'000</i>	Micro credit and loan facilitation related services <i>RMB'000</i>	Securities dealing and broking and other financial services <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2020				
Revenue				
External income	<u>41,094</u>	<u>55,771</u>	<u>3,182</u>	<u>100,047</u>
Segment results	<u>17,070</u>	<u>16,598</u>	<u>(500)</u>	<u>33,168</u>
Unallocated corporate income				57
Unallocated corporate expenses				<u>(12,886)</u>
Profit before income tax				20,339
Income tax expense				<u>(7,993)</u>
				<u>12,346</u>
For the six months ended 30 June 2019				
Revenue				
External income	<u>29,178</u>	<u>56,459</u>	<u>–</u>	<u>85,637</u>
Segment results	<u>16,896</u>	<u>9,718</u>	<u>–</u>	<u>26,614</u>
Unallocated corporate income				60
Unallocated corporate expenses				<u>(13,568)</u>
Profit before income tax				13,106
Income tax expense				<u>(768)</u>
				<u>12,338</u>

Segment results represents profit earned by or loss incurred from each segment without allocation of certain other income and certain other operating expenses. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance. There were no inter-segment sales for the period.

Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities by operating and reportable segment:

As at 30 June 2020	Finance lease and factoring related services <i>RMB'000</i>	Micro credit and loan facilitation related services <i>RMB'000</i>	Securities dealing and broking and other financial services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>829,333</u>	<u>686,311</u>	<u>84,261</u>	1,599,905
Deferred tax assets				23,384
Financial assets at FVOCI				46,440
Unallocated corporate assets				<u>35,591</u>
Consolidated total assets				<u>1,705,320</u>
Segment liabilities	<u>451,029</u>	<u>291,647</u>	<u>23,870</u>	766,546
Tax payable				7,760
Promissory note				69,268
Bond payable				36,463
Unallocated corporate liabilities				<u>7,832</u>
Consolidated total liabilities				<u>887,869</u>

As at 31 December 2019	Finance lease and factoring related services <i>RMB'000</i>	Micro credit and loan facilitation related services <i>RMB'000</i>	Securities dealing and broking and other financial services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>838,639</u>	<u>689,523</u>	<u>84,471</u>	1,612,633
Deferred tax assets				20,240
Financial assets at FVOCI				49,684
Deposits for acquisition of investment properties				22,000
Unallocated corporate assets				<u>6,082</u>
Consolidated total assets				<u>1,710,639</u>
Segment liabilities	<u>468,798</u>	<u>295,052</u>	<u>7,180</u>	771,030
Tax payable				7,933
Contingent consideration payable				19,600
Promissory note				66,922
Bond payable				17,879
Unallocated corporate liabilities				<u>32,934</u>
Consolidated total liabilities				<u>916,298</u>

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than financial assets at FVOCI, deposits for acquisition of investment properties, deferred tax assets and unallocated corporate assets.
- All liabilities are allocated to operating segments other than contingent consideration payable, promissory note, bond payable, tax payable and unallocated corporate liabilities.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets other than financial instruments and deferred tax assets, is presented based on the geographical location of the assets.

	Revenue from external customers for the six months ended 30 June		Non-current assets as at	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	30 June 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
The PRC	96,865	85,637	5,605	6,511
Hong Kong	<u>3,182</u>	<u>–</u>	<u>10,652</u>	<u>11,625</u>
	<u>100,047</u>	<u>85,637</u>	<u>16,257</u>	<u>18,136</u>

Information about major customers

Revenue from external customers contributed to 10% or more of the Group's revenue is as follows:

One (the six months ended 30 June 2019 (unaudited): one) customer contributed to 10% or more of the Group's revenue for the six months ended 30 June 2020. Revenue earned from this customer amounted to approximately RMB20,935,000 for the six months ended 30 June 2020 (the six months ended 30 June 2019 (unaudited): approximately RMB12,043,000).

5. REVENUE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Point in time</i>		
– Upfront loan facilitation service income	–	4,144
– Commission and brokerage income from securities dealing	547	–
– Placing and underwriting service income	87	–
– Financial advisory services income		
– Financial leasing advisory services income	–	64
– Other financial advisory service income	343	–
<i>Over time[#]</i>		
– Post loan facilitation service income	16,934	11,798
	<u>17,911</u>	<u>16,006</u>
Revenue from other sources*		
– Interest income from financial leasing	31,178	20,746
– Interest income from factoring	9,618	8,368
– Interest income from small loans	38,837	40,517
– Interest income from margin financing	557	–
– Interest income from other loans	1,946	–
	<u>82,136</u>	<u>69,631</u>
Total revenue	<u>100,047</u>	<u>85,637</u>

* Interest income were calculated using the effective interest income according to HKFRS 9. All the interest income disclosed in the above came from financial assets not at FVPL.

The Group applies the practical expedient in paragraph 21 of HKFRS 15 and does not disclose information about remaining performance obligation that have original expected duration of one year or less.

6. FINANCE COST

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	26,128	30,829
Interest on lease liabilities	170	226
Interest on bond payable	1,406	–
Interest on promissory note	4,266	5,253
	<u>31,970</u>	<u>36,308</u>

7. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Auditor's remuneration	96	156
Depreciation charged on:		
– property, plant and equipment	933	459
– right-of-use assets	1,695	1,946
	2,628	2,405
Employee benefit expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	13,336	8,052
– Retirement benefit scheme contributions	546	1,265
– Equity settled share-based payment	3,846	485
	17,728	9,802
Equity settled share-based payment		
– Employee benefit expenses	3,846	485
– Referral fees/consultancy fees	1,328	5,867
	5,174	6,352
Commission paid	4,421	6,267
Bad debts (recovery)/written off of loan and account receivables, net	(139)	2,094
	<u>(139)</u>	<u>2,094</u>

8. INCOME TAX EXPENSE

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
The charge comprises:			
Current tax for the period			
– PRC Enterprise Tax (“EIT”)	(c)	10,666	2,476
– Hong Kong profits tax	(d)	–	–
Deferred tax credit		(2,673)	(1,708)
		7,993	768

Notes:

- (a) 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.
- (b) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax under these jurisdictions.
- (c) PRC EIT is calculated at 25% (the six months ended 30 June 2019 (unaudited): 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for a subsidiary of the Company as mentioned below. In accordance with relevant laws and regulations in the PRC, enterprises established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone (“Zone”) are eligible for a reduced EIT rate of 15%, provided that the enterprise is engaged in projects that fall within the Catalogue for EIT Preferential Treatments of the Zone. One of the subsidiaries is entitled to the 15% preferential tax rate for the years 2018 to 2020.
- (d) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2020 (the six months ended 30 June 2019 (unaudited): Nil).

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (the six months ended 30 June 2019 (unaudited): Nil).

10. EARNINGS PER SHARE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	10,617	9,253
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	155,523	148,247
Effect of dilutive potential ordinary shares – share options (in '000)	618	367
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in '000)	156,141	148,614

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 2020 and 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.

11. LOAN AND ACCOUNT RECEIVABLES

		As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
	Notes		
Non-current assets			
Financial leasing receivables	(a)	157,214	248,223
Small loans receivables	(c)	7,648	8,601
		<u>164,862</u>	<u>256,824</u>
Less: Allowance for ECLs		<u>(12,448)</u>	<u>(12,331)</u>
		<u>152,414</u>	<u>244,493</u>
Current assets			
Financial leasing receivables	(a)	495,624	434,676
Factoring loan receivables	(b)	177,166	162,987
Small loan receivables	(c)	696,876	708,109
Other loan receivables	(d)	31,604	29,718
Account receivables	(e)	12,459	17,003
		<u>1,413,729</u>	<u>1,352,493</u>
Less: Allowance for ECLs		<u>(83,744)</u>	<u>(72,102)</u>
		<u>1,329,985</u>	<u>1,280,391</u>
Total loan and account receivables, net		<u><u>1,482,399</u></u>	<u><u>1,524,884</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 2019: 0.5 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 5.3% to 20.0% (31 December 2019: 4.9% to 20.1%) per annum as at 30 June 2020.

As at 30 June 2020, the Group's financial leasing receivables with gross carrying amount of approximately RMB153,462,000 (31 December 2019: approximately RMB156,653,000) were carried at fixed-rate and the remaining balances of approximately RMB499,376,000 (31 December 2019: approximately RMB526,246,000) were carried at variable-rate.

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Financial leasing receivables comprise of:				
Within one year	512,960	460,477	495,624	434,676
More than one year but not exceeding two years	131,490	209,056	127,824	199,878
More than two years but not exceeding three years	30,246	40,474	29,390	38,670
More than three years but not exceeding four years	—	9,805	—	9,675
	<u>674,696</u>	<u>719,812</u>	<u>652,838</u>	<u>682,899</u>
Less: Unearned finance income	<u>(21,858)</u>	<u>(36,913)</u>	<u>—</u>	<u>—</u>
Present value of minimum lease payments	<u>652,838</u>	<u>682,899</u>	<u>652,838</u>	<u>682,899</u>

Financial leasing receivables are mainly secured by the leased assets which are equipment and machinery used in airline, real estate, manufacturing, construction and hotel, certain guarantees and customers' deposits. Additional collateral may be obtained from customers to secure their repayment obligations under financial leasing and such collateral include vehicle licence.

As at 30 June 2020, the financial leasing receivables were collateralised by the leased assets with fair values of approximately RMB1,260,589,000 (31 December 2019: approximately RMB1,347,168,000).

The following is a credit quality analysis of financial leasing receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of financial leasing receivables is classified as overdue.

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Neither overdue nor credit-impaired	38,403	188,563
Overdue but not credit-impaired		
– overdue within 30 days	13,773	4,586
– overdue within 31 to 90 days	92,138	3,179
Overdue and credit-impaired	508,524	486,571
	652,838	682,899
Less: Allowance for ECLs	(46,114)	(34,649)
	<u>606,724</u>	<u>648,250</u>

(b) Factoring loan receivables

The credit period granted to each of the customers is generally for a period of 1 year to 2 years (31 December 2019: 1 year to 2 years). The effective interest rate of the above factoring loan receivables is ranging from 7.6% to 24.3% (31 December 2019: 5.9% to 20.1%) per annum as at 30 June 2020.

As at 30 June 2020, the factoring loan receivables were collateralised by the customers' accounts receivables with fair value of approximately RMB261,369,000 (31 December 2019: approximately RMB259,884,000).

The ageing analysis of the Group's factoring loan receivables, as of each reporting date, based on the maturity date set out in the relevant contracts:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
0 to 30 days	76,906	29,509
31 to 90 days	55,260	63,423
91 to 365 days	45,000	70,055
	177,166	162,987
Less: Allowance for ECLs	–	–
	<u>177,166</u>	<u>162,987</u>

The following is a credit quality analysis of factoring loan receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of factoring loan receivables is classified as overdue.

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Neither overdue nor credit-impaired	100,948	103,570
Overdue but not credit-impaired		
– overdue within 30 days	34,500	44,417
– overdue within 31 days to 90 days	10,200	–
Overdue and credit-impaired	31,518	15,000
	177,166	162,987
Less: Allowance for ECLs	–	–
	177,166	162,987

(c) **Small loan 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 4 months to 3 years (31 December 2019: 3 months to 3 years). The effective interest rate of the above small loans receivables is ranging from 12.0% to 27.9% (31 December 2019: 12.0% to 27.8%) per annum as at 30 June 2020.

As at 30 June 2020, certain loan receivables are mainly secured by (i) real estates such as buildings with fair values of approximately RMB11,180,000 (31 December 2019: approximately RMB34,851,000) and (ii) equity interests with fair values of approximately RMB22,197,000 (31 December 2019: approximately RMB10,144,000).

The ageing analysis of the Group's small loan receivables, as of each reporting date, based on the maturity date set out in the relevant contracts:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
0 to 30 days	81,021	92,993
31 to 90 days	141,941	135,546
91 to 365 days	473,914	479,570
Over 365 days	7,648	8,601
	704,524	716,710
Less: Allowance for ECLs	(44,632)	(43,793)
	659,892	672,917

The following is a credit quality analysis of small loan receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of small loan receivables is classified as overdue.

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Neither overdue nor credit-impaired	643,541	649,982
Overdue but not credit-impaired		
– overdue within 30 days	10,056	16,170
– overdue within 31 to 90 days	4,183	6,528
Overdue and credit-impaired	46,744	44,030
	704,524	716,710
Less: Allowance for ECLs	(44,632)	(43,793)
	659,892	672,917

(d) Other loan receivables

It represented the unsecured loans granted to the customers. The loan periods granted to each of customers is generally for a period of 1 year (31 December 2019: 1 year). The effective interest rate of the above other loan receivables is ranging from 12% to 18% (31 December 2019: 12% to 18%) per annum as at 30 June 2020.

The ageing analysis of the Group's other loan receivables, as of each reporting date, based on the maturity date set out in the relevant contracts:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
31 to 90 days	24,093	–
91 to 365 days	7,511	29,718
	31,604	29,718
Less: Allowance for ECLs	(4,903)	(3,457)
	26,701	26,261

The following is a credit quality analysis of other loan receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of other loan receivables is classified as overdue.

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Neither overdue nor credit-impaired	31,604	29,718
Less: Allowance for ECLs	<u>(4,903)</u>	<u>(3,457)</u>
	<u>26,701</u>	<u>26,261</u>

(e) **Account receivables**

Balances comprise receivables in respect of securities dealing and broking services and loan facilitation services, represented as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
	<i>Notes</i>	
Account receivables from securities dealing and broking services:	i	
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	1,875	–
– Cash clients	438	4
– Margin clients	<u>9,038</u>	<u>8,777</u>
	11,351	8,781
Account receivables from loan facilitation services	ii	
	<u>1,108</u>	<u>8,222</u>
	12,459	17,003
Less: Allowance for ECLs	<u>(543)</u>	<u>(2,534)</u>
Total account receivables, net	<u>11,916</u>	<u>14,469</u>

Notes:

- i. Account receivables from cash clients and securities clearing houses arising from securities dealing business are repayable on demand subsequent to the settlement date. The normal settlement terms of said account receivables are, in general, two days after trade date. The Group allows a credit period mutually agreed with the contracting parties for receivables from margin clients.

No aging analysis by invoice date is disclosed for account receivables from HKSCC, cash clients and margin clients as, in the opinion of the directors of the Company, an aging analysis is not meaningful in view of the business nature.

- ii. The account receivables in respect of loan facilitation services are recognised when the upfront loan facilitation services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue from such services is recognised based on the price stipulated in the contracts. No element of financing is deemed present as the services are made with a credit period not more than one week after revenue recognition.

The ageing analysis of the Group's account receivables from loan facilitation services, as of each reporting date, based on the maturity date set out in the relevant contracts:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
0 to 30 days	<u>1,108</u>	<u>8,222</u>
	1,108	8,222
Less: Allowance for ECLs	<u>–</u>	<u>(2,088)</u>
	<u>1,108</u>	<u>6,134</u>

The following is a credit quality analysis of account receivables from loan facilitation services. In the event that an instalment repayment is overdue, the entire outstanding balance of account receivables is classified as overdue.

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Neither overdue nor credit-impaired	1,108	–
Overdue but not credit-impaired		
– overdue within 30 days	–	5,609
– overdue within 31–90 days	–	530
Overdue and credit-impaired	<u>–</u>	<u>2,083</u>
	1,108	8,222
Less: Allowance for ECLs	<u>–</u>	<u>(2,088)</u>
	<u>1,108</u>	<u>6,134</u>

Except for receivables from margin clients, the Group does not hold any collateral or other credit enhancements over these balances.

Account receivables of securities margin clients are secured by the clients' pledged securities with fair value of approximately RMB22,089,000 (31 December 2019: approximately RMB42,538,000) as at 30 June 2020. All of the pledged securities are equity and debt securities listed in Hong Kong and overseas. The account receivables of securities margin clients are repayable on demand subsequent to settlement date and carrying interest typically at Hong Kong Prime rate +6% per annum (31 December 2019: +6% per annum) as at 30 June 2020. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owned by the margin clients.

As at 30 June 2020, the allowance for ECLs of approximately RMB543,000 (31 December 2019: approximately RMB2,534,000) is considered as adequately provided for as the directors of the Company have individually evaluated their account receivables after taking into account the loan-to-collateral value for each borrower, and other information available of those borrowers in default of settlement to determine the net present value of expected future cash inflow.

12. ACCOUNT PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
HKSCC	1	1,792
Cash clients	1,850	1,459
Margin clients	20,443	3,375
	<u>22,294</u>	<u>6,626</u>

Account payables arising from securities dealing business are interest-free and repayable on the settlement day of the relevant trades.

The normal settlement terms of account payables to cash clients and securities clearing house are two days after trade date.

Account payables to HKSCC, margin clients and cash clients are repayable on demand after settlement date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

The account payables amounting to approximately RMB20,180,000 (31 December 2019: approximately RMB4,804,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits place.

13. BANK AND OTHER BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Bank borrowings – secured*:		
Within one year	259,120	221,387
More than one year, but not exceeding two years	253,952	257,216
More than two years, but not exceeding five years	46,036	96,756
Other borrowings – unsecured	151,447	151,811
Within one year	710,555	727,170
Less: Amount shown under current liabilities	(410,567)	(373,198)
Amount shown under non-current liabilities	299,988	353,972

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

As at 30 June 2020, the Group's bank borrowings were variable-rate borrowings which carried annual interest per annum ranging from 105% to 110% (31 December 2019: 105% to 110%) of the benchmark rate offered by the People's Bank of China and the other borrowings carried annual interest ranging from 12% to 16% per annum (31 December 2019: 12% to 16% per annum). As at 30 June 2020, the effective interest rates of the Group's secured bank borrowings were ranging from 5.0% to 8.5% (31 December 2019: 5.0% to 8.3%) per annum.

As at 30 June 2020, all (31 December 2019: all) of the Group's bank borrowings were secured by charges over certain leased assets and financing leasing receivables except for one bank borrowing amounting to RMB126,000,000 (31 December 2019: RMB126,000,000) which were secured by charges over one property with fair value of approximately RMB24,590,000 (31 December 2019: approximately RMB24,590,000) (which is jointly owned by Mr. Lo and his wife), one property with fair value of approximately RMB8,980,000 (31 December 2019: approximately RMB8,980,000) (which is owned by Mr. Wang Jiansen, brother of a shareholder of a related company), and one property with fair value of approximately RMB35,100,000 (31 December 2019: approximately RMB35,100,000) (which is owned by Mr. Lu Qing Ming, a director of a related company) and jointly guaranteed by a related company, Mr. Lu Nuan Pei ("Mr. Lu"), Mr. Lo's sibling, who is the ultimate controlling party of the related company and Mr. Lu, with an aggregate amount up to RMB150,000,000 (31 December 2019: RMB150,000,000).

As at 31 December 2019 and 30 June 2020, the Group's unsecured other borrowing obtained from an independent third party, was jointly guaranteed by a related company and Mr. Lu (with an aggregate amount up to RMB150,000,000).

14. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 of each		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	20,000,000,000	200,000
	<u>20,000,000,000</u>	<u>200,000</u>
	Number of ordinary shares	Amount RMB'000
Issued and fully paid:		
At 1 January 2019	144,000,000	1,248
Issue of shares upon exercise of share options	11,523,000	101
	<u>11,523,000</u>	<u>101</u>
At 31 December 2019 and 30 June 2020	155,523,000	1,349
	<u>155,523,000</u>	<u>1,349</u>

During the year ended 31 December 2019, 11,523,000 share options were exercised at the exercise price of HK\$6.02 to HK\$7.00 (equivalent to RMB5.09 to RMB6.00) per share. The total cash consideration received from the issuance 11,523,000 shares was approximately RMB66,140,000, of which approximately RMB101,000 was credited to issued share capital and the remaining balance of approximately RMB66,039,000 was credited to the share premium account. In addition, amount attributable to the related share options of approximately RMB9,145,000 has been transferred from share option reserve to the share premium account.

All the shares issued during the year ended 31 December 2019 rank *pari passu* with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

After the worldwide outbreak of COVID-19 in the first half of 2020, the global economy has been enormously impacted by this pandemic. Pressure has been exerted on every industry and in addition, uncertainties arose due to the growing tension between China and the U.S. slowed down the economic growth in the Mainland China. As most of the Group's customers are SMEs which are less risk resilient to the adverse changes in the market conditions and the economic environment, the 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 mainly derived from financial leasing interest income, factoring service income, loan facilitation service income, small and other loan interest income, advisory services income, commission and brokerage income from securities dealing and interest income from margin financing, accounting for approximately RMB31.1 million, RMB9.6 million, RMB16.9 million, RMB40.8 million, RMB0.3 million, RMB0.5 million and RMB0.6 million 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 and took benefits from our expanding various services provided by the newly acquired subsidiaries.

As a result of the acquisition of equity interests in Shenzhen Haosen Credit Joint Stock (Limited) Company* (深圳市浩森小額貸款股份有限公司) ("Shenzhen Haosen") and Wealth Ton Finance Group Limited and its subsidiaries (collectively, "Wealth Ton Group"), the Group recorded an increase in revenue deriving from the new loan facilitation service income and revenue derived from interest income loan receivables and margin financing in Wealth Ton Group for the six months ended 30 June 2020. The Directors anticipated sound and steady growth given the acquisition of the aforementioned subsidiaries, which expanded the Group's sales channel and enabled the Group to allocate internal resources in a more efficient manner. The Group benefits from the synergy effect from the acquisition of the subsidiaries. The Group offers flexible financing services to potential customers in line with their respective scales and industries.

The Directors believe that it is essential for the Group to keep a close eye on the pandemic, monitor our existing clients and evaluate potential clients in a prudent way to reduce the impact on the business.

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; (v) loan facilitation service income; (vi) interest income from small loans, other loans and margin financing; (vii) commission and brokerage income from security dealing and (viii) placing and underwriting service income. The Group's financial leasing services include sale-leaseback as well as direct financial leasing.

The revenue recorded an increase by approximately 16.8% from approximately RMB85.6 million for the six months ended 30 June 2019 to approximately RMB100.0 million for the six months ended 30 June 2020. The increase was mainly resulted from the income source from our new subsidiary, i.e. loan facilitation service income derived from the acquisition of equity interest in Shenzhen Haosen and interest income from other loans derived from the acquisition of equity interest in Wealth Ton Group and the increase in the interest income from financial leasing.

For the six months ended 30 June 2020, the interest income from financial leasing contributed approximately RMB31.1 million with an increase of approximately 50.3% (for the six months ended 30 June 2019: approximately RMB20.7 million). The interest income from financial leasing related factoring contributed approximately RMB9.6 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately RMB8.4 million). Moreover, the Group continued to provide both upfront and post loan facilitation service which contributed approximately RMB16.9 million in total to the revenue for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately RMB15.9 million in total) in Shenzhen Haosen. From the expansion of Shenzhen Haosen, it also derived interest income from small loans to the Group contributing approximately RMB38.8 million with a slight decrease of approximately 4.2% (for the six months ended 30 June 2019: approximately RMB40.5 million) and interest income from other loans of approximately RMB1.9 million was contributed by Wealth Ton Group for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil). The Group also recorded the interest income from margin financing of approximately RMB0.6 million (for the six months ended 30 June 2019: nil) from Wealth Ton Group.

The Directors intend to remain focused on the financial leasing services, factoring and microlending in the future to achieve long term growth.

Other income

Other income increased by approximately RMB3.0 million, or approximately 60.0%, from approximately RMB4.9 million for the six months ended 30 June 2019 to approximately RMB7.9 million for the six months ended 30 June 2020, mainly due to the dividend income from the financial assets at FVOCI which contributed an amount of approximately RMB2.9 million.

Employee benefit expenses

Employee benefit expenses included primarily employee salaries and costs associated with other benefits. The employee benefit expenses increased by approximately RMB7.9 million, or approximately 80.9%, from approximately RMB9.8 million for the six months ended 30 June 2019 to approximately RMB17.7 million for the six months ended 30 June 2020, mainly due to the increase in the manpower of Shenzhen Haosen and the acquisition of Wealth Ton Group.

Other operating expenses

Other operating expenses for the six months 30 June 2020 consisted mainly of (i) building management fee of approximately RMB0.5 million; (ii) commission fee of approximately RMB4.4 million which mainly comprised of (a) commission paid for loan referral of approximately RMB2.0 million, and (b) service charge of loan collection of approximately RMB2.4 million in relation to the small loan business; (iii) entertainment expenses of approximately RMB0.7 million; (iv) legal and professional fee of approximately RMB1.5 million; (v) equity settled share-based payment to consultants of approximately RMB1.3 million; and (vi) sundry items of approximately RMB3.5 million.

For the six months ended 30 June 2020, the other operating expenses was approximately RMB11.9 million with a decrease of RMB6.7 million due to the decrease in commission paid of approximately RMB1.8 million and the decrease of equity settled share-based payment to consultants in approximately RMB4.5 million, representing approximately 11.9% of the Group's total revenue (for the six months ended 30 June 2019: approximately 22.3%).

Finance cost

The finance cost decreased by approximately 11.9% from approximately RMB36.3 million for the six months ended 30 June 2019 to approximately RMB32.0 million for the six months ended 30 June 2020 mainly due to the decrease of the bank borrowings.

Profit for the period attributable to the owners of the Company

Profit for the period slightly increased by approximately RMB1.4 million, or approximately 14.7%, from approximately RMB9.3 million for the six months ended 30 June 2019 to approximately RMB10.6 million for the six months ended 30 June 2020. Such increase was mainly due to the increase in the loan facilitation income related to the small loan business of Shenzhen Haosen and the increase in the interest income from financial leasing.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

Liquidity, financial resources and capital resources

As at 30 June 2020, the cash and cash equivalents were approximately RMB99.9 million (31 December 2019: approximately RMB42.7 million). The working capital (current assets less current liabilities) and the total equity of the Group were approximately RMB951.7 million (31 December 2019: approximately RMB865.0 million) and approximately RMB817.5 million (31 December 2019: approximately RMB794.3 million), respectively.

As at 30 June 2020, the Group's bank borrowings with maturity within one year amounted to approximately RMB259.1 million (31 December 2019: approximately RMB221.4 million) and the Group's bank borrowings with maturity exceed one year decreased to approximately RMB300.0 million (31 December 2019: approximately RMB354.0 million). Remaining portion of the indebtedness represented unsecured other borrowings amounted to approximately RMB151.4 million (31 December 2019: approximately RMB151.8 million).

Gearing ratio (total bank and other borrowings/total equity) as at 31 December 2019 was approximately 86.9% (31 December 2019: approximately 91.5%). Such decrease was due to the acquisition of Shenzhen Haosen and Wealth Ton Group and the repayment of the bank borrowing.

Loan and account receivables

Loan and account receivables consisted of (i) financial leasing receivables including the principal and interest of financial leasing; (ii) factoring loan receivables; (iii) small loan receivables; (iv) other loan receivables; (v) account receivables of loan facilitation service fees and (vi) account receivables from securities dealing business. As at 30 June 2020, the loan and account receivables were approximately RMB1,482.4 million (31 December 2019: approximately RMB1,524.9 million), and this decrease was mainly due to the decrease in the financial leasing contracts after prudent approach taken by the Company.

Capital commitments

As at 30 June 2020, the Group had no capital commitments (31 December 2019: Nil).

Employees and remuneration policy

As at 30 June 2020, the Group employed 140 full time employees (30 June 2019: 95) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB17.7 million for the six months ended 30 June 2020 which included approximately RMB3.8 million equity settled share-based payment to employees (for the six months ended 30 June 2019: approximately RMB0.5 million) (for the six months ended 30 June 2019: approximately RMB9.8 million). The Group recognises 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 may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company. Share award scheme has also been adopted and awarded shares will be granted to eligible employees of the Group in accordance with the terms of the share award scheme.

RISK MANAGEMENT

The Group's main business operations are conducted for the financial leasing 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 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 financial leasing 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 the economy and financial market of the PRC and the effect brought by the outbreak of COVID-19, 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 process workflow, 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 expanding business operations, and allocate sufficient manpower to maintain an appropriate risk reward balance.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities of guarantees (31 December 2019: Nil).

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

During the six months ended 30 June 2020, 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 (the "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 15,552,300 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. All options granted on 4 July 2018 have been exercised.

On 24 April 2019, 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 on 24 April 2019, there were 7,203,000 options exercised in 2019; 592,500 options were lapsed and 50,000 options were forfeited during the period ended 30 June 2020 and 2,229,500 options are outstanding during the period ended 30 June 2020.

On 22 January 2020, under the Share Option Scheme, 10,200,000 share options to subscribe for an aggregate of 10,200,000 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 period of the options from 22 January 2020 to 21 January 2023, and exercise price of HK\$6.12 and no options have been exercised up to 30 June 2020.

For options granted under the Share Option Scheme under 4 July 2018, 24 April 2019 and 22 January 2020, the exercise price in relation to each option was determined by the Board, 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 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 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 Exchange on 4 July 2018, 24 April 2019 and 22 January 2020.

Set out below are details of the outstanding options under the Share Option Scheme as at 30 June 2020:

				Number of share options					
				Outstanding	Granted	Exercised	Lapsed	Forfeited	Outstanding
			Exercise	as at	during	during	during	during the	as at
Name of Grantee	Grant date	Exercise period	price	1.1.2020	the period	the period	the period	period ended	30.06.2020
				30.06.2020	ended	ended	ended	30.06.2020	30.06.2020
Director of the Company or its subsidiary									
XIE Weiquan	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									
SHI Lei	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
XIE Zhouchou	24 April 2019	24 April 2019 – 23 April 2020	HK\$7.00	22,500	–	–	(22,500)	–	–
	24 April 2019	24 April 2020 – 23 April 2021	HK\$7.00	22,500	–	–	–	–	22,500
	24 April 2019	24 April 2021 – 23 April 2022	HK\$7.00	30,000	–	–	–	–	30,000
SHI Yumei	24 April 2019	24 April 2019 – 23 April 2020	HK\$7.00	22,500	–	–	(22,500)	–	–
	24 April 2019	24 April 2020 – 23 April 2021	HK\$7.00	22,500	–	–	–	–	22,500
	24 April 2019	24 April 2021 – 23 April 2022	HK\$7.00	30,000	–	–	–	–	30,000
WONG Mun Po	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

Name of Grantee	Grant date	Exercise period	Exercise price	Number of share options					
				Outstanding	Granted	Exercised	Lapsed	Forfeited	Outstanding
				as at	during	during	during	during the	
				1.1.2020	the period	the period	the period	period ended	as at
				30.06.2020	ended	ended	ended	30.06.2020	30.06.2020
Other employees of the Company or its subsidiary or other eligible participants under the Share Option Scheme									
	24 April 2019	24 April 2019 –							
		23 April 2022	HK\$7.00	847,000	–	–	–	–	847,000
	24 April 2019	24 April 2019 –							
		23 April 2020	HK\$7.00	472,500	–	–	(457,500)	(15,000)	–
	24 April 2019	24 April 2020 –							
		23 April 2021	HK\$7.00	472,500	–	–	–	(15,000)	457,500
	24 April 2019	24 April 2021 –							
		23 April 2022	HK\$7.00	630,000	–	–	–	(20,000)	610,000
	22 January 2020	22 January 2020 –							
		21 January 2023	HK\$6.12	–	10,200,000	–	–	–	10,200,000
				2,872,000	10,200,000	–	(592,500)	(50,000)	12,429,500

Share Award Scheme

The Company has adopted a share award scheme on 6 November 2019 (the “Share Award Scheme”) for the purposes of, amongst others, effectively recognising employee’s contribution to the Group and/or providing an incentive to employee to remain with or join the Group, for participation in the Scheme as a selected employee and determine the purchase, subscription and/or allocation of awarded shares according to the terms of the Share Award Scheme. However, until so selected, no Employee shall be entitled to participate in the scheme.

The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 6 November 2029.

Since the adoption of the Share Award Scheme and up to the date of this announcement, none of the issued Shares has been purchased or issued nor any awards have been granted under the Share Award Scheme.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the Reporting Period.

OUTLOOK AND PLANS

In the first half of 2020, due to the impact of the novel coronavirus epidemic, the Directors noticed that the overall economy of the PRC experienced several stages of adjustments, and the business of the Group was also affected to a certain extent. The Group adopted flexible business strategies to ensure stable operation in the first half of 2020. In the second half of 2020, the Group will continue with the 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.

With the novel coronavirus epidemic under control in the PRC, the Directors expect the economy of the PRC will further recover in the second half of 2020. The Group will focus on providing flexible financial services to small and micro enterprises in the Greater Bay Area and supporting the development of such small and micro enterprises. At the same time, the Directors will also pay attention to investment and acquisition opportunities in the market generating synergies with the Group's business to reduce the impact of economic fluctuations on the Group and ensure continued profitability of the Group.

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 2020, 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 Mr. Kam Wai Man. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020 with no disagreement.

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 2020, 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 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 2020

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

* *The English name is for identification purpose only*