汇鑫小额贷款
HUIXIN MICRO-CREDIT

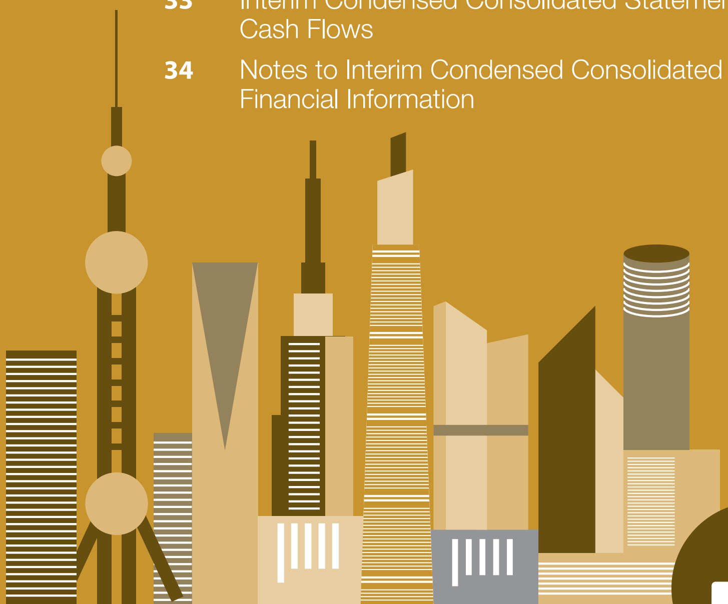
Quanzhou Huixin Micro-credit Co., Ltd.*
泉州匯鑫小額貸款股份有限公司

(Established in the People’s Republic of China with limited liability)
Stock Code: 1577

Interim Report 2019

* For identification purpose only

Contents



Definitions

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

"Board" or "Board of Directors"	the board of directors of the Company
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), which was formed by a merger of former China Banking Regulatory Commission (中國銀行業監督管理委員會) and former China Insurance Regulatory Commission (中國保險業監督管理委員會) in 2018; or, where the context so requires, China Banking Regulatory Commission
"China" or "PRC"	the People's Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to "China" and "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"Company"	Quanzhou Huixin Micro-credit Co., Ltd.* (泉州匯鑫小額貸款股份有限公司), a joint stock company established in the PRC with limited liability on 8 January 2010 converted from the predecessor company, Quanzhou Licheng District Huixin Microcredit Co., Ltd.* (泉州市鯉城區匯鑫小額貸款有限公司), on 18 August 2014, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code:1577)
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary shares in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities
"Fujian Province" or "Fujian"	Fujian Province (福建省), a province located in the southeastern coast of China
"Fujian Haoxiang Gardening"	Fujian Haoxiang Gardening Building Decoration Engineering Co., Ltd.* (福建豪翔園林建設有限責任公司)
"Fujian Huian Haoda"	Fujian Huian Haoda Construction Company Limited* (福建省惠安豪達建設有限公司), formerly known as Fujian Huian Haoda Stoning Company Limited* (福建省惠安豪達石業有限公司)
"Fujian Panpan"	Fujian Panpan Biotech Limited* (福建盼盼生物科技股份有限公司)
"Fujian Septwolves Group"	Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司)
"Group", "we", "us" or "our"	the Company and its subsidiaries
"HKAS(s)"	Hong Kong Accounting Standards
"HKFRS(s)"	Hong Kong Financial Reporting Standards
"H Share(s)"	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

Definitions (Continued)

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"JJHX"	Jinjiang Huixin Microfinance Co., Ltd.* (晉江市匯鑫小額貸款有限公司), a non-wholly owned subsidiary of the Company, established in the PRC in April 2014
"Lianche"	Quanzhou Lianche Finance Leasing Co., Ltd.* (泉州市連車融資租賃有限公司), an indirectly non-wholly owned subsidiary of the Company, established in the PRC in August 2017
"Listing Date"	30 September 2016, the day on which the H Shares became listed on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Quanzhou" or "Quanzhou City"	Quanzhou City (泉州市), Fujian Province
"Quanzhou Haoxiang"	Quanzhou Haoxiang Stone Co., Ltd.* (泉州豪翔石業有限公司)
"Quanzhou Yuanpeng"	Quanzhou Yuanpeng Clothing and Textile Co., Ltd.* (泉州市遠鵬服飾織造有限公司)
"RMB"	Renminbi, the lawful currency for the time being of the PRC
"Reporting Period"	the period for the six months ended 30 June 2019
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	Domestic Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"SMEs"	small and medium-sized enterprise(s), as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)"	the supervisor(s) of the Company
"Wealth Success"	Wealth Success Enterprise Limited (成康企業有限公司)
"Xiamen Gaoxinhong"	Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司)
"Xiamen Sifang"	Xiamen Sifang Jiasheng Trading Company Limited* (廈門四方嘉盛貿易有限公司)

* for identification purpose only

Corporate Information

Directors

Executive Directors

Mr. Zhou Yongwei *(Chairman)*
Mr. Wu Zhirui
Mr. Yan Zhijiang
Ms. Liu Aiqin

Non-executive Directors

Mr. Jiang Haiying
Mr. Cai Rongjun

Independent Non-executive Directors

Mr. Zhang Lihe
Mr. Lin Jianguo
Mr. Sun Leland Li Hsun

Supervisors

Ms. Hong Lijun *(Chairwoman)*
Mr. Li Jiancheng
Ms. Ruan Cen
Mr. Chen Jinzhu
Mr. Wu Lindi

Audit Committee

Mr. Zhang Lihe *(Chairman)*
Mr. Lin Jianguo
Mr. Cai Rongjun

Remuneration Committee

Mr. Lin Jianguo *(Chairman)*
Mr. Sun Leland Li Hsun
Mr. Wu Zhirui

Nomination Committee

Mr. Zhou Yongwei *(Chairman)*
Mr. Sun Leland Li Hsun
Mr. Zhang Lihe

Joint Company Secretaries

Mr. Yan Zhijiang
Ms. Ng Ka Man *(ACS, ACIS)*

Authorised Representatives

Mr. Wu Zhirui
Mr. Yan Zhijiang

Registered address

12/F, Former Finance Building
No. 361 Feng Ze Street
Quanzhou
Fujian
PRC

Headquarters/Principal place of business in the PRC

12/F, Former Finance Building
No. 361 Feng Ze Street
Quanzhou
Fujian
PRC

Principal Place of Business in Hong Kong

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Company Website

www.qzhuixin.net

Stock Code

1577

Corporate Information (Continued)

Auditor and Reporting Accountant

Ernst & Young
Certified Public Accountants

Legal Adviser

Akin Gump Strauss Hauer & Feld LLP
(as to Hong Kong laws)

H Share Registrar

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

Principal Bankers

The Agricultural Bank of China
Jinjiang Jinjing Sub-branch
No. 200 Zhong Xing Road, Jin Jing Town
Jinjiang City
Quanzhou
Fujian
PRC

Industrial and Commercial Bank of China
Xinmenjie Sub-branch
Building 11, Shop No. 02–09 South Area of Xinmen Street
Licheng District
Quanzhou
Fujian
PRC

Bank of China (Hong Kong) Limited
Hong Kong East Commercial Centre
13/F, Cambridge House, Taikoo Place
No. 981 King's Road
Island East
Hong Kong

Xiamen Bank
Quanzhou Branch
No. 474 Huxin Street
Licheng District
Quanzhou
Fujian
PRC

Management Discussion and Analysis

Industry Overview

Since the CBIRC and the People's Bank of China (中國人民銀行) (the "**PBOC**") promulgated the Guiding Opinions on the Pilot Operation of Microfinance Companies (關於小額貸款公司試點的指導意見) in 2008, which first formalized the registration procedures for microfinance companies at the national level, China's microfinance industry has seen rapid expansion. In 2012, the State Council approved the establishment of a pilot financial reform zone in Quanzhou City, making Quanzhou City the third pilot financial reform zone in China. Fujian provincial government subsequently implemented a series of financial reform policies and measures aiming at developing and cultivating the local financial services sector and channeling private capital to SMEs and local microenterprises. In 2014, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) designated Quanzhou City as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises. In December 2015, the State Council promulgated the Plan for Promoting the Development of Inclusive Finance (2016–2020) (Guo Fa [2015] No. 74) (推進普惠金融發展規劃(2016–2020年) (國發[2015]74號), which aims to improve the quality and the coverage of inclusive finance service. In 2017, the government of Quanzhou City promulgated the Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which encourages microfinance companies to develop innovative businesses. In 2018, the Quanzhou Financial Affairs Bureau (泉州市金融工作局) and certain other government departments promulgated Opinions on the Implementation of Strengthening Financial Services of Real Economy to further Facilitate and Reduce the Cost of the Financing (關於加強實體經濟金融服務進一步緩解融資難融資貴的實施意見), which allow microfinance companies in Quanzhou to comprehensively carry out microfinance business mainly for SMEs and "agriculture, rural and farmers" (三農) in Quanzhou City.

China's finance leasing industry has developed rapidly since 2012. With China's industrial reform and equipment upgrades, the steady growth of China's fixed asset investment has created greater potential for the development of the finance leasing industry. In 2016, Fujian provincial government promulgated the Opinions on Promoting the Development of the Finance Leasing Industry (關於促進融資租賃業發展的意見), which has implemented effective measures in taxation and development environment to support the finance leasing industry in Fujian Province.

Business Overview

Our Group is principally engaged in loan business and finance leasing business. We conduct our loan business primarily through the Company and JJHX which was consolidated into our Group's consolidated financial statements from April 2019. Based in Quanzhou City, we are the largest licensed microfinance company in Fujian Province in terms of revenue in 2018, according to the statistics of the Fujian Provincial Economic and Information Technology Commission (福建省經濟和資訊化委員會). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs. Since October 2018, we commenced our finance leasing business principally engaged in the provision of automobile finance leasing services for SMEs and individuals in the PRC.

We generate substantially all of our income by charging interest on the loans and finance leases extended to our customers. For the six months ended 30 June 2019, the total loans and finance leases granted to our customers amounted to RMB1,795.6 million. Our interest income from loans receivable was RMB93.1 million for the six months ended 30 June 2019. Our interest income from finance lease receivables was RMB2.8 million for the six month ended 30 June 2019.

We financed our operations primarily through a combination of share capital of our shareholders and bank borrowings. The following table sets forth our share capital, net capital, principal amount of outstanding loans, lease receivables and loan and finance lease/net capital ratio as of the dates indicated:

	As of 30 June 2019	As of 31 December 2018
Share capital (RMB in millions)	**680.0**	680.0
Net capital (RMB in millions)(1)	**1,219.1**	1,066.2
Principal amount of outstanding loans (RMB in millions)	**1,266.1**	1,000.3
Lease receivables (RMB in millions)	**54.5**	56.8
Loan and finance lease/Net capital ratio(2)	**1.08 Times**	0.99 Times

Notes:

(1) Represents the aggregate of our share capital, reserves and retained profits of our Group.

(2) Represents the principal amount of our outstanding loans and the total amount of our lease receivables divided by our net capital.

Our loan business

Loan Portfolio

The principal amount of our outstanding loans increased steadily from RMB1,000.3 million as of 31 December 2018 to RMB1,266.1 million as of 30 June 2019, primarily due to the consolidation of JJHX.

Revolving loans and term loans

We offer two types of loans, namely, revolving loans and term loans, as part of our flexible financing solutions, depending on a customer's repayment and re-borrowing needs. The following table sets forth the principal amount of our revolving loans and term loans as of the dates indicated:

	As of 30 June 2019		As of 31 December 2018	
	RMB'000	**%**	RMB'000	%
Principal amount of outstanding loans:				
Revolving loans	**900,332**	**71.1**	622,120	62.2
Term loans	**365,806**	**28.9**	378,198	37.8
Total	**1,266,138**	**100.0**	1,000,318	100.0

Management Discussion and Analysis (Continued)

Loan portfolio by security

Our loans receivable consists of credit loans, guaranteed loans and collateral-backed loans. The following table sets forth our loan portfolio by security as of the dates indicated:

	As of 30 June 2019 RMB'000	%	As of 31 December 2018 RMB'000	%
Principal amount of outstanding loans:				
Credit loans	**4,140**	**0.3**	46,431	4.6
Guaranteed loans	**578,711**	**45.7**	421,324	42.1
Collateral-backed loans				
— with guarantee	**495,998**	**39.2**	355,808	35.6
— without guarantee	**187,289**	**14.8**	176,755	17.7
Total	**1,266,138**	**100.0**	1,000,318	100.0

Our credit loans significantly decreased from RMB46.4 million as of 31 December 2018 to RMB4.1 million as of 30 June 2019 mainly because (i) we collected the credit loans granted in 2018; and (ii) no new credit loans were granted in 2019.

Past due loans

The principal amount of our past due loans was RMB76.9 million and RMB90.7 million as of 31 December 2018 and 30 June 2019, respectively, accounting for 7.7% and 7.2% of the total principal amount of our outstanding loans as of the same dates.

We had 21 past due loans with an aggregate amount of RMB76.9 million as of 31 December 2018. As of 30 June 2019, RMB11.2 million of the principal amount of these past due loans as of 31 December 2018 had been settled and RMB0.9 million of the principal amount of these past due loans as of 31 December 2018 had been written off. As of 30 June 2019, the remaining portion of principal amount of past due loans as of 31 December 2018 was RMB64.8 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2018 was RMB37.2 million.

As of 30 June 2019, we had 28 past due loans with an aggregate amount of RMB90.7 million, and our allowance for impairment losses for these past due loans as of the same date was RMB49.0 million.

The principal amount of our past due loans increased from RMB76.9 million as of 31 December 2018 to RMB90.7 million as of 30 June 2019, mainly due to (i) the increase in 6 past due loans of JJHX with an aggregate amount of RMB22.6 million resulting from the consolidation of JJHX; and (ii) the increase in 4 past due loans of the Company with an aggregate amount of RMB3.3 million, and partly offset by the collection of 3 past due loans of the Company with an aggregate amount of RMB11.2 million.

We adopt a loan classification approach to manage our loan portfolio risk. We categorize our loans by reference to the "Five-Tier Principle" set forth in the Guideline for Loan Credit Risk Classification (貸款風險分類指引) issued by the CBIRC. We make provisions for the anticipated level for loan loss after categorizing the loan according to the "Five-Tier Principle". According to the "Five-Tier Principle", our loans are categorized as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. We consider our "substandard", "doubtful" and "loss" loans as impaired loans. The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 30 June 2019		As of 31 December 2018	
	RMB'000	**%**	RMB'000	%
Normal	**1,006,844**	**79.5**	896,886	89.7
Special-mention	**182,689**	**14.4**	48,481	4.8
Substandard	**11,413**	**0.9**	41,970	4.2
Doubtful	**49,130**	**3.9**	12,072	1.2
Loss	**16,062**	**1.3**	909	0.1
Total	**1,266,138**	**100.0**	1,000,318	100.0

We assess impairment either collectively or individually as appropriate. We assess our loans for impairment at the end of each relevant period, determine a level of allowance, and recognize any related provisions using the concept of impairment under HKFRS 9 since its effective date which is 1 January 2018. Our loan loss impairment method was adjusted by the adoption of HKFRS 9 with replaced HKAS 39's incurred loss approach with a forward-looking expected credit loss approach. For "normal" and "special-mention" loans, given that they are not impaired, we make collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For "substandard", "doubtful" and "loss" loans, the impairment losses are assessed individually by evaluating the loss that we expect to incur on the balance sheet date.

Our "doubtful" loans increased from RMB12.1 million as of 31 December 2018 to RMB49.1 million as of 30 June 2019 mainly because (i) part of the past due loans of the Company categorized as "substandard" in 2018 with aggregate amount of RMB30.0 million downgraded to "doubtful"; and (ii) RMB12.1 million of past due loans of JJHX were categorized as "doubtful".

The following table sets forth the key default and loss ratios reflecting the asset quality of our loan business:

(RMB'000, except for percentage)	**As of/For the six months ended 30 June 2019**	As of/For the year ended 31 December 2018
Impaired loan ratio(1)	**5.9%**	5.4%
Balance of impaired loans receivable	**76,605**	54,951
Balance of gross loans receivable	**1,297,805**	1,023,706
Allowance coverage ratio(2)	**90.8%**	64.9%
Allowance for impairment losses(3)	**69,547**	35,651
Balance of impaired loans receivable	**76,605**	54,951
Provision for impairment losses ratio(4)	**5.4%**	3.5%
Loss ratio(5)	**23.8%**	11.7%
Net charge of impairment allowance on loans receivable	**22,125**	18,235
Interest income	**93,133**	155,941

Management Discussion and Analysis (Continued)

Notes:

(1) Represents the balance of impaired loans receivable divided by the balance of gross loans receivable. Impaired loan ratio indicates the quality of our loan portfolio.

(2) Represents the allowance for impairment losses for all loans divided by the balance of impaired loans receivable. The allowance for impairment losses for all loans includes allowances provided for performing loans which are assessed collectively and allowances provided for impaired loans which are assessed individually. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in our loan portfolio.

(3) Allowance for impairment losses reflects our management's estimate of the probable loss in our loan portfolio.

(4) Represents the allowance for impairment losses divided by the balance of gross loans receivable. Provision for impairment losses ratio measures the cumulative level of provisions.

(5) Represents the net charge of impairment allowance on loans receivable divided by our interest income. Loss ratio is a benchmark which our management uses to monitor our financial results in relation to impairment losses incurred.

Our impaired loans receivable increased from RMB55.0 million as of 31 December 2018 to RMB76.6 million as of 30 June 2019. Our impaired loan ratio increased from 5.4% as of 31 December 2018 to 5.9% as of 30 June 2019. Such increases were primarily due to the consolidation of JJHX.

Our finance leasing business

Finance Lease Receivables by Security

The following table sets forth our finance lease receivables by security as of the date indicated:

	As of 30 June 2019		As of 31 December 2018	
	RMB'000	**%**	RMB'000	%
Collateral-backed leases:				
— with guarantee	**31,214**	**57.3**	29,802	52.0
— without guarantee	**23,251**	**42.7**	26,996	48.0
Total	**54,465**	**100.0**	56,798	100.0

Gross and Net Amounts of Lease Receivables

The following table sets forth the expected gross and net amounts of lease receivables as of the date indicated:

	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
Lease receivables	**54,465**	56,798
— Due within one year	**28,682**	25,303
— Due in one year to two years	**21,288**	23,097
— Due in two years to three years	**4,495**	8,398
Net lease receivables	**48,197**	49,675
— Due within one year	**24,245**	20,714
— Due in one year to two years	**19,642**	20,908
— Due in two years to three years	**4,310**	8,053

We categorize our lease receivables according to our "Five-Tier Principle". As of 30 June 2019, all of our lease receivables were categorized as "normal".

Management Discussion and Analysis (Continued)

Compliance with key regulatory requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2019:

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian Province shall not be lower than RMB100 million.	Our Group complied with such requirement for the six months ended 30 June 2019.
The debt to net capital ratio of a microfinance company in Quanzhou City is capped at 100%.	Our Group complied with such requirement for the six months ended 30 June 2019.
The interest rates charged by microfinance companies may not exceed the maximum loan interest rate specified by judicial departments, or lower than 0.9 times of the prevailing PBOC benchmark lending rate, pursuant to the Interim Measures of Fujian Province for the Administration of Microfinance (福建省小額貸款公司暫行管理辦法). The Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) promulgated by the Supreme People's Court (最高人民法院) on 1 September 2015 provided that: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts.	Our Group complied with such applicable requirement for the six months ended 30 June 2019.
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	Our Group complied with such requirement for the six months ended 30 June 2019.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 5% of the net capital of such microfinance company.	Our Group complied with such requirement for the six months ended 30 June 2019.

Key requirements	Compliance status
Upon the listing of the H shares on the main board (the "**Main Board**") of the Stock Exchange on the Listing Date, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the "**Amended 70% Requirement**").	Our Group complied with the Amended 70% Requirement for the six months ended 30 June 2019.
Risk assets of a finance leasing company shall not exceed ten times of its total net assets.	Our Group complied with such requirement for the six months ended 30 June 2019.

Financial Overview

Interest income, net

We generate substantially all of our interest income from interest on loans and finance lease receivables that we provide to our customers. We incur interest expense on bank borrowings which are principally used to fund our loan business.

The following table sets forth our interest income and interest expense for the periods indicated:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest income on:		
Loans receivable	**93,134**	75,176
Finance lease receivables	**2,827**	—
Interest expense on:		
Bank loans	**(5,096)**	(4,593)
Lease liabilities	**(88)**	—
Interest income, net	**90,776**	70,583

Management Discussion and Analysis (Continued)

Interest Income

Our interest income from short-term financings provided to entrepreneurial individuals, SMEs and microenterprises primarily consists of interest income from our outstanding performing loans and interest-generating finance lease receivables. Interest income from outstanding performing loans is mainly affected by (i) the balance of our outstanding performing loans; and (ii) the effective interest rates that we charge on our performing loans. Interest income from finance leases is mainly affected by (i) the balance of our interest-generating finance leases; and (ii) the effective interest rates that we charge on our finance leases.

The following table sets forth the average balance of our outstanding performing loans and finance leases and corresponding average effective interests rate per annum for the periods indicated:

	For the six months ended 30 June	
	2019	2018
Average balance:		
— outstanding performing loans[1] (RMB'000)	**1,161,227**	944,819
— interest-generating finance lease receivables (RMB'000)	**57,618**	—
Average effective interest rate per annum:		
— performing loans[2]	**15.33%**	15.61%
— interest-generating finance lease receivables[3]	**9.81%**	—

Notes:

(1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the period indicated.

(2) Calculated by dividing the interest income derived from our performing loans for the period by the average balance of outstanding performing loans for the period multiplied by two.

(3) Calculated by dividing the interest income derived from our interest-generating finance lease receivables for the period by the average balance of our finance lease receivables not impaired for the period multiplied by two.

Our loan business and finance leasing business are primarily funded by our share capital as well as our bank borrowings. Our interest income increased by 27.6% from RMB75.2 million for the six months ended 30 June 2018 to RMB96.0 million for the six months ended 30 June 2019. The average balance of our outstanding performing loans increased by 22.9% from RMB944.8 million for the six months ended 30 June 2018 to RMB1,161.2 million for the six months ended 30 June 2019. Such increases were primarily attributable to the consolidation of JJHX. The average balance of our finance lease receivables was RMB57.6 million for the six months ended 30 June 2019 mainly because we commenced our finance leasing business since October 2018. For the six months ended 30 June 2018 and 2019, our average effective interest rate per annum on our performing loans slightly decreased from 15.6% to 15.3%. Such decrease was primarily due to (i) the increase of the proportion of collateral-backed loans with low interest; and (ii) the charging of low interest rate to our high-quality customers.

Interest Expense

The following table sets forth the average balance of our bank borrowings and effective interest rates per annum for the periods indicated:

	For the six months ended 30 June	
	2019	2018
Average balance of bank borrowings[(1)] (RMB'000)	**170,167**	160,994
Effective interest rate per annum[(2)]	**6.00%**	5.71%

Notes:

(1) Calculated as the average balance of our bank borrowings at the end of each month for the period indicated.

(2) Calculated by dividing the interest expense for the period by the average balance of bank borrowings for the period multiplied by two.

Our average balance of bank borrowings slightly increased from RMB161.0 million as of 30 June 2018 to RMB170.2 million as of 30 June 2019, which was generally in line with our business expansion.

Net charge of impairment allowance on loans and accounts receivable

Net charge of impairment allowance on loans and accounts receivable mainly arose from the balance of allowance for impairment loss we made in relation to our loans and accounts receivable during the relevant periods.

We review our loan portfolios and finance leases periodically to assess whether any impairment losses exist and the amount of impairment losses evidence of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to minimize difference between loss estimates and actual loss.

Our net charge of impairment allowance on loans and accounts receivable for the six months ended 30 June 2018 and 2019 were RMB6.2 million and RMB22.1 million, respectively. Such increase was primarily due to (i) the increase in the impaired loans; and (ii) the increase in the impairment allowance on loans receivable in relation to the existing impaired loans.

Management Discussion and Analysis (Continued)

Operating and administrative expenses

Our operating and administrative expenses mainly include tax and surcharges, staff costs, service fees, depreciation and amortization expenses, leasing expenses and others. The table below sets forth the components of our operating and administrative expenses by nature for the periods indicated:

	For the six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Tax and surcharges	**797**	622
Staff costs:		
Salaries, bonuses and allowances	**6,020**	4,392
Other social welfare	**1,068**	629
Service fees	**2,628**	2,510
Depreciation and amortization	**2,025**	279
Leasing expenses	**—**	724
Others	**2,227**	1,544
Total operating and administrative expenses	**14,765**	10,700

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fees, accounting for 5.8% and 5.4% of our operating and administrative expenses for the six months ended 30 June 2018 and 2019, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 46.9% and 48.0% of our operating and administrative expenses for the six months ended 2018 and 2019, respectively.

Our operating and administrative expenses increased from RMB10.7 million for the six months ended 30 June 2018 to RMB14.8 million for the six months ended 30 June 2019 mainly because (i) JJHX and Lianche were consolidated into our Group's consolidated financial statements; (ii) the staff costs increased; and (iii) the new intangible assets amortized since 2019.

Other income and gains, net

Our net other income and gains consists of gains from financial assets at fair value through profit or loss, interest from bank deposits, gain on disposal of items of property and equipment and other gains and losses. Our net other income and gains increased from RMB0.6 million for the six months ended 30 June 2018 to RMB1.2 million for the six months ended 30 June 2019 mainly due to the consolidation of JJHX.

Income tax expense

During the six months ended 30 June 2018 and 2019, we were subject to the general tax rate of 25% pursuant to the Enterprise Income Tax Law (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and 29 December 2018. Our income tax expense for the six months ended 30 June 2018 and 2019 was RMB13.5 million and RMB13.7 million, respectively, and our effective tax rate remained as 23.6% for the same period.

The Directors confirmed that we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the relevant tax authorities in the PRC.

Net profit and total comprehensive income for the period

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income of RMB43.8 million and RMB44.4 million for the six months ended 30 June 2018 and 2019, respectively. The profit attributable to owners of the parent for the same period was RMB43.8 million and RMB41.6 million, respectively.

Liquidity and capital resources

We have in the past funded our working capital and other capital requirements primarily by equity contributions from our Shareholders, bank borrowings and cash flows from operations. Our liquidity and capital requirements primarily relate to granting loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Our gearing ratio which presented the percentage of our net debt divided by the aggregate of our capital and net debt, slightly decreased from 12.4% as of 31 December 2018 to 12.3% as of 30 June 2019.

Cash flows

The following table sets forth a selected summary of our cash flow statement for the periods indicated:

	For the six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Net cash flows used in operating activities	**(34,164)**	(33,123)
Net cash flows from investing activities	**19,694**	6,894
Net cash flows (used in)/from financing activities	**(16,160)**	20,469
Net decrease in cash and cash equivalents	**(30,630)**	(5,760)
Cash and cash equivalents at beginning of the period	**51,718**	12,291
Effect of foreign exchange rate changes, net	**16**	32
Cash and cash equivalents at end of the period	**21,104**	6,563

Management Discussion and Analysis (Continued)

Net Cash Flows Used in Operating Activities

Our business involves a substantial amount of operating cash turnover as well as ongoing funding in the ordinary course of business undertaking, given the capital-intensive nature of short-term microfinance business.

Our cash generated from operating activities primarily consists of loans repaid by our customers and interest income from loans we grant to customers. Our cash used in operating activities primarily consists of loans we extend to our customers. Net cash flows from operating activities reflect: (i) our profit before tax adjusted for non-cash and non-operating items, such as charge on impairment, interest expense, accreted interest on impaired loans, foreign exchange loss, loss on disposal of property and equipment, as well as depreciation and amortization; (ii) the effects of changes in working capital; and (iii) income tax paid.

Net cash flows used in operating activities for the six months ended 30 June 2019 was RMB34.2 million. Net cash flows generated from operating activities before working capital adjustment was RMB80.3 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in loans and accounts receivable of RMB49.7 million as a result of the growth of the Company's loan business; (ii) an increase in financial assets at fair value through profit or loss of RMB45.4 million; and (iii) an increase in other assets of RMB0.9 million. Such cash outflows were partly offset by an increase in other payables of RMB1.0 million mainly attributable to the increase in payrolls payable, taxes, performance deposit, etc.

Net Cash Flows From Investing Activities

For the six months ended 30 June 2019, our net cash flows from investing activities was RMB19.7 million, which was mainly due to (i) the dividends received from JJHX of RMB7.2 million in January 2019; and (ii) the net increase in cash of RMB12.5 million as a result of the consolidation of JJHX and Xiamen Anshenghe Trading Co., Ltd.* (廈門安盛和貿易有限責任公司).

Net Cash Flows Used in Financing Activities

For the six months ended 30 June 2019, our net cash flows used in financing activities was RMB16.2 million, which is mainly due to (i) the repayment of bank borrowings of RMB50.0 million; (ii) payment of interest of RMB5.2 million; and (iii) payments of principal portion lease of RMB1.0 million. Such cash outflows were partly offset by (i) the capital injection by non-controlling shareholders of RMB20.0 million; and (ii) the proceeds from bank borrowings of RMB20.0 million.

Cash management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2018 and 30 June 2019, the total cash and cash equivalents amounted to RMB51.7 million and RMB21.1 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected items of the statements of financial position

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash on hand and cash at banks. As of 31 December 2018 and 30 June 2019, we had cash and cash equivalents of RMB51.7 million and RMB21.1 million, respectively. Such decrease in our cash and cash equivalents from was primarily due to the decrease in our interest-bearing bank borrowings of RMB30.0 million.

Management Discussion and Analysis (Continued)

Loans and Accounts Receivable

Our loans and accounts receivable consist of net lease receivables and loans receivable. We consider a financial asset in default when it is overdue for more than 90 days.

The following table sets forth our loans and accounts receivable and allowance for impairment losses as of the dates indicated:

	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
Net lease receivables:		
— Not yet past due	**48,197**	49,675
Loans receivable:		
— Performing loans receivable[1]	**1,221,200**	968,755
— Impaired loans receivable[2]	**76,605**	54,951
Total loans and accounts receivable	**1,346,002**	1,073,381
Less: Allowance for impairment losses		
— individual assessed	**(39,732)**	(18,961)
— collective assessed	**(30,538)**	(17,435)
Total allowance for impairment losses	**(70,270)**	(36,396)
Net loans and accounts receivable	**1,275,732**	1,036,985

Notes:

(1) Performing loans are collectively assessed for impairment.

(2) Impaired loans include those with objective evidence of impairment.

Management Discussion and Analysis (Continued)

Our net loans and accounts receivable increased from RMB1,037.0 million as of 31 December 2018 to RMB1,275.7 million as of 30 June 2019 primarily due to the consolidation of JJHX.

As of 30 June 2019, our maturity profiles within one year and over one year accounted for 96.8% and 3.2% of the total loans and accounts receivable, respectively. The following table sets forth a maturity portfolio of our gross loans receivable and lease receivables as of the dates indicated:

	As of 30 June 2019		As of 31 December 2018	
	RMB'000	**%**	RMB'000	%
Past due	**95,464**	**7.1**	76,851	7.2
Due within three months	**350,765**	**26.1**	336,950	31.3
Due between three months and six months	**190,805**	**14.2**	357,126	33.3
Due between six months and one year	**666,480**	**49.4**	248,049	23.1
Due over one year	**42,488**	**3.2**	54,405	5.1
Total	**1,346,002**	**100.0**	1,073,381	100.0

Goodwill

Our goodwill increased from RMB2.2 million as of 31 December 2018 to RMB17.0 million as of 30 June 2019 mainly because we deemed to be interested in Quanzhou Yuanpeng's equity interest in JJHX through the acting in concert agreement with Quanzhou Yuanpeng on 18 April 2019, which resulted in JJHX became a subsidiary of the Company. For details, please refer to the announcement of discloseable transaction relating to acting in concert agreement dated 18 April 2019.

Other Assets

Our other assets increased from RMB13.1 million as 30 June 2018 to RMB16.8 million as of 30 June 2019 mainly due to the consolidation of JJHX. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
Repossessed assets	**13,153**	8,060
Deferred and prepaid expenses	**1,689**	3,563
Other receivables	**1,912**	1,449
Total other assets	**16,754**	13,072

Other Payables

Our other payables mainly include value-added tax and surcharges payable, payrolls payable, audit fee, deposits, dividend payable and others. As of 31 December 2018 and 30 June 2019, our other payables were RMB14.2 million and RMB51.1 million, respectively. Such increase was mainly due to the unpaid dividend payable of RMB34.0 million as of 30 June 2019 (31 December 2018: nil).

Indebtedness

Interest-bearing bank borrowings

The following table sets forth our outstanding borrowings as of the dates indicated:

	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
Guaranteed bank loans:		
— repayable within one year	170,275	200,337
Total	170,275	200,337

Contingent Liabilities

As of 30 June 2019, we had no material contingent liabilities.

Asset-backed Securities

On 3 April 2019, a proposed issue of asset-backed securities in the PRC with an aggregate principal amount of not more than RMB500.0 million had been approved by the Board and passed by the shareholders by way of poll at the annual general meeting of the Company on 12 June 2019. For more details, please refer to the announcement of the Company dated 3 April 2019, the circular dated 24 April 2019 and the poll results announcement of the Company dated 12 June 2019.

As of 30 June 2019, we did not issue any asset-backed securities.

Capital expenditures

Our capital expenditures consist primarily of expenditures for: (i) fixtures and the purchase of office furniture and equipment; and (ii) intangible assets. The table sets forth our capital expenditures for the periods indicated:

	For the six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Capital expenditures		
— Micro-credit business	2,645	291
Total	2,645	291

Related party transactions

Fujian Septwolves Group is a substantial shareholder of the Company and hence a connected person of the Company. Therefore, related party transactions as disclosed in notes 26(b) and 26(d) to the financial statements constitute connected transactions of our Group under Chapter 14A of the Listing Rules. Since such guarantee will be conducted on normal commercial terms or better and will not be secured by the assets of the Company, the transactions constitute financial assistance to the Company from a connected person under Chapter 14A of the Listing Rules which is exempt from reporting, announcement and shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Commitment and contractual obligations

Capital Commitments

We had a capital commitment of approximately RMB556,553 and RMB988,000, contracted but not provided for in the financial statements, in respect of a software as of 31 December 2018 and 30 June 2019.

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from mainland China for the six months ended 30 June 2019.

Off-balance Sheet Arrangements

As of 30 June 2019, we did not have any off-balance sheet arrangements.

Material Investments, Acquisitions and Disposals

There were no material investments or acquisitions for the six months ended 30 June 2019.

Future Plans for Material Investments and Expected Sources of Funding

Other than bank loans we obtained from commercial banks, we also consider issuing bonds or asset-backed securities in the PRC or conducting income rights transfer and repurchase financing or other investments plans or choices. Nevertheless, as of the date of this report, we do not have any firm intention or formulated any specific plan on material external financing in the short term.

Save as disclosed above, our Group had no future plans for material investments or external financing as of 30 June 2019.

Charge on Our Group's Assets

As of 30 June 2019, we did not have any charges on our assets.

Employment and Emoluments

As of 30 June 2019, our Group had 91 employees, all of whom were based in Fujian Province. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

Continuing Disclosure Requirements Under the Listing Rules

As of 30 June 2019, our Group did not involve in any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Listing Rules.

Prospects

In 2019, the sign of a decline in the growth of domestic and foreign economies, dramatic changes in the global trade environment, and increased local financial risks pose significant challenges to us.

Recently, we have conducted in-depth discussion and planning on our Group's development strategy. We analyzed the current situation and development trend of microfinance industry, and explored new business opportunities; sorted out and analyzed the asset structure, financing structure and development of each product category of our Group in detail; adjusted and optimized our Group's development strategy and formulated the development direction of an integrated microfinance service provider.

We will strengthen the management and adjustment of various assets of our Group and increase the proportion of non-debt assets, strengthen the understanding of the customers' logistics, cash flows and information flow and try to develop supply chain financing business to improve the capacity of independent financing. We will seek for investment or merger and acquisition opportunities in microfinance companies with an aim to enrich and optimize microfinance products and expand our customer sources. We will also optimize the leverage ratio and further improve the return to Shareholders.

Other Information

Use of Proceeds from Global Offering

The H Shares became listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds from the global offering of approximately HK$292.3 million (after deducting underwriting commissions, the incentive fees and other expense in connection with the global offering).

As of 30 June 2019, the net proceeds from global offering, which were applied in the manners as set out in the announcement of change in use of proceeds of the Company dated 29 August 2017, has been used up.

Directors', Supervisors' and Chief Executives' Interests in Securities

As of 30 June 2019, the interests or short positions of the Directors, Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name	Position	Nature of interest	Number of Shares[1]	Percentage in the relevant class of share capital[2]	Percentage in the total issued share capital[3]
Mr. Zhou Yongwei	Chairman and executive Director	Interest in controlled corporation[4]	203,932,000 Domestic Shares (L)	40.79%	29.99%
Mr. Jiang Haiying	Non-executive Director	Interest in controlled corporation[5]	50,000,000 Domestic Shares (L)	10.00%	7.35%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) The calculation is based on the percentage of shareholding in Domestic Shares as of 30 June 2019.

(3) The calculation is based on the total number of 680,000,000 Shares in issue which comprised of 180,000,000 H Shares and 500,000,000 Domestic Shares as of 30 June 2019.

(4) Fujian Septwolves Group is directly interested in approximately 40.79% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Fujian Septwolves Group, which is in turn approximately 37.82% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong and approximately 31.09% owned by Mr. Zhou Shaoming. Mr. Zhou Yongwei controls more than one-third of the voting rights of Fujian Septwolves Group and is therefore deemed to be interested in its interest in the Company by virtue of the SFO.

(5) Quanzhou Haoxiang is directly interested in approximately 10% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang, which is in turn approximately 61.08% owned by Fujiang Haoxiang Gardening (a company owned as to 63.33% by Mr. Jiang Haiying), approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by Fujian Huian Haoda. Therefore, Mr. Jiang Haiying is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.

Other Information (Continued)

Save as disclosed above, as of 30 June 2019, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2019, the persons or corporations (other than a Director, Supervisor or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholders	Nature of interest	Number of Shares[(1)]	Percentage in the relevant class of share capital[(2)]	Percentage in the total issued share capital[(3)]
Fujian Septwolves Group	Beneficial owner	203,932,000 Domestic Shares (L)	40.79%	29.99%
Xiamen Gaoxinhong[(4)]	Beneficial owner	67,932,000 Domestic Shares (L)	13.59%	9.99%
Ms. Zhou Zehui[(4)]	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Wealth Success[(5)]	Interest in controlled corporation	57,248,000 Domestic Shares (L)	11.45%	8.42%
Ms. Hong Jingxiao[(5)]	Interest in controlled corporation	57,248,000 Domestic Shares (L)	11.45%	8.42%
Fujian Panpan	Beneficial owner	54,458,000 Domestic Shares (L)	10.89%	8.01%
Mr. Cai Jinan[(6)]	Interest in controlled corporation	54,458,000 Domestic Shares (L)	10.89%	8.01%
Quanzhou Haoxiang	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Fujian Haoxiang Gardening[(7)]	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%

Other Information (Continued)

Shareholders	Nature of interest	Number of Shares[1]	Percentage in the relevant class of share capital[2]	Percentage in the total issued share capital[3]
Mr. Zeng Huanrong[8]	Interest in controlled corporation	34,246,000 H Shares (L)	19.03%	5.04%
Glory Asiapac Holdings Limited[8]	Interest in controlled corporation	34,246,000 H Shares (L)	19.03%	5.04%
Mr. Cai Jianchu	Beneficial owner	30,954,000 H Shares (L)	17.20%	4.55%
Ms. Hong Erguan	Beneficial owner	29,416,000H Shares (L)	16.34%	4.33%
Mr. Wu Weiqi[9]	Interest in controlled corporation	20,554,000 H Shares (L)		
	Beneficial owner	8,516,000 H Shares (L)		
		29,070,000 H Shares (L)	16.15%	4.28%
Ms. Cheng Chau Yuet[10]	Beneficial owner	330,000 H Shares (L)		
	Interest of spouse	20,634,000 H Shares (L)		
		20,964,000 H Shares (L)	11.65%	3.08%
Mr. Chong Ming Ting[11]	Interest in controlled corporation	20,514,000 H Shares (L)		
	Beneficial owner	120,000 H Shares (L)		
	Interest of spouse	330,000 H Shares (L)		
		20,964,000 H Shares (L)	11.65%	3.08%
Yue Tai Investment Limited	Beneficial owner	20,554,000 H Shares (L)	11.42%	3.02%
Grand Wealth (HK) Investment Limited	Beneficial owner	20,514,000 H Shares (L)	11.40%	3.02%
Mr. Xu Yingyi	Beneficial owner	11,508,000 H Shares (L)	6.39%	1.69%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares or the H Shares (as the case may be).

(2) The calculation is based on the percentage of shareholding in the Domestic Shares or the H Shares (as the case may be) as of 30 June 2019.

(3) The calculation is based on the total number of 680,000,000 Shares in issue which comprised of 180,000,000 H Shares and 500,000,000 Domestic Shares as of 30 June 2019.

(4) The disclosed interest represents the interest in the Company held by Xiamen Gaoxinhong which is in turn approximately 59% owned by Xiamen Sifang, approximately 23% owned by Ms. Zhou Zehui and approximately 18% owned by Ms. Wu Changfeng, and Xiamen Sifang is in turn approximately 95% owned by Ms. Zhou Zehui. Therefore, each of Xiamen Sifang and Ms. Zhou Zehui is deemed to be interested in Xiamen Gaoxinhong's interest in the Company by virtue of the SFO.

(5) Quanzhou Yuanpeng is directly interested in approximately 11.45% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng, which is wholly owned by Wealth Success, a company 100% owned by Ms. Hong Jingxiao. Therefore, each of Wealth Success and Ms. Hong Jingxiao is deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.

(6) The disclosed interest represents the interest in the Company held by Fujian Panpan, which is in turn approximately 80% owned by Mr. Cai Jinan. Therefore, Mr. Cai Jinan is deemed to be interested in Fujian Panpan's interest in the Company by virtue of the SFO.

(7) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang, which is in turn approximately 61.08% owned by Fujiang Haoxiang Gardening, approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by Fujian Huian Haoda. Therefore, Fujian Haoxiang Gardening is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.

(8) Cheer Spread Enterprise Limited is directly interested in approximately 19.03% of the issued H Shares. The disclosed interest represents the interest in the Company held by Cheer Spread Enterprise Limited, which is wholly owned by Glory Asiapac Holdings Limited, a company 100% owned by Mr. Zeng Huanrong. Therefore, each of Glory Asiapac Holdings Limited and Mr. Zeng Huanrong is deemed to be interested in Cheer Spread Enterprise Limited's interest in the Company by virtue of the SFO.

(9) Yue Tai Investment Limited is directly interested in approximately 11.42% of the issued H Shares. The disclosed interest represents the interest in the Company held by Yue Tai Investment Limited, which is wholly owned by Mr. Wu Weiqi. Therefore, Mr. Wu Weiqi is deemed to be interested in Yue Tai Investment Limited's interest in the Company by virtue of the SFO.

(10) Ms. Cheng Chau Yuet is deemed to be interested in the 20,634,000 H Shares held by her spouse Mr. Chong Ming Ting by virtue of the SFO.

(11) The disclosed interest represents the interest in the Company held by Grand Wealth (HK) Investment Limited, which is wholly owned by Mr. Chong Ming Ting. Therefore, Mr. Chong Ming Ting is deemed to be interested in Grand Wealth (HK) Investment Limited's interest in the Company by virtue of the SFO. In addition, Mr. Chong Ming Ting is deemed to be interested in the 330,000 H Shares held by his spouse Ms. Cheng Chau Yuet by virtue of the SFO.

Save as disclosed above, as of 30 June 2019, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Corporate Governance Report

Our Group is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board and the management of the Company has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules and reviewed its corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

Other Information (Continued)

Updates on Directors' and Supervisors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no changes in information of the Directors and Supervisors since the date of the Board's meeting approving the annual report 2018 up to the date of the Board's meeting approving this report.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct for carrying out securities transactions of the Company by the Directors and Supervisors. After specific enquiry with all Directors and Supervisors, they have confirmed fully compliance with the relevant standards stipulated in the Model Code during the Reporting Period.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2019.

Events After the Reporting Period

Our Group had no significant event after the Reporting Period.

Audit Committee

The audit committee of the Company has reviewed and discussed with the management the accounting principles and practices adopted by the Company, internal controls and financial report matters, and the Company's policies and practices on corporate governance. The interim report has been reviewed by the audit committee and auditor of the Company, Ernst & Young. There is no disagreement by the auditor or audit committee of the Company with the accounting treatment adopted by the Company.

Independent Review Report

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To the board of directors of Quanzhou Huixin Micro-credit Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 64, which comprises the condensed consolidated statement of financial position of Quanzhou Huixin Micro-credit Co., Ltd (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
23 August 2019

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019
(Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Interest income	6	**95,960,240**	75,175,740
Interest expense	6	**(5,183,937)**	(4,592,713)
Interest income, net		**90,776,303**	70,583,027
Impairment losses on loans and accounts receivable, net	7	**(22,102,708)**	(6,194,608)
Operating and administrative expenses		**(14,765,302)**	(10,700,359)
Foreign exchange gain, net		**15,862**	31,721
Other income and gains, net	8	**1,246,731**	632,668
Share of profit of an associate		**2,974,056**	2,940,525
PROFIT BEFORE TAX	9	**58,144,942**	57,292,974
Income tax expense	10	**(13,699,007)**	(13,515,009)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**44,445,935**	43,777,965
Attributable to:			
Owners of the parent		**41,644,547**	43,777,965
Non-controlling interests		**2,801,388**	—
		44,445,935	43,777,965
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**0.06**	0.06
Diluted		**0.06**	0.06

Interim Condensed Consolidated Statement of Financial Position

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Cash and cash equivalents	13	**21,103,781**	51,717,811
Financial assets at fair value through profit or loss	14	**112,514,811**	53,000,000
Loans and accounts receivable	15	**1,275,732,316**	1,036,985,098
Property and equipment	16	**1,307,941**	1,548,850
Right-of-use assets	3	**2,548,096**	—
Goodwill	17	**16,950,298**	2,221,017
Other intangible assets	18	**2,037,492**	140,000
Investment in an associate		**—**	131,533,077
Deferred tax assets	19	**3,292,289**	2,116,411
Other assets	20	**16,754,233**	13,071,518
TOTAL ASSETS		**1,452,241,257**	1,292,333,782
LIABILITIES			
Interest-bearing bank borrowings	21	**170,275,112**	200,336,825
Lease liabilities	3	**2,494,955**	—
Income tax payable		**9,230,650**	11,585,025
Other payables	22	**51,102,531**	14,185,151
TOTAL LIABILITIES		**233,103,248**	226,107,001
NET ASSETS		**1,219,138,009**	1,066,226,781
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**680,000,000**	680,000,000
Reserves	24	**137,891,271**	136,970,598
Retained profits		**239,730,094**	233,006,220
		1,057,621,365	1,049,976,818
Non-controlling interests		**161,516,644**	16,249,963
TOTAL EQUITY		**1,219,138,009**	1,066,226,781

Wu Zhirui
Director

Yan Zhijiang
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019
(Amounts expressed in RMB unless otherwise stated)

	For the six months ended 30 June 2019 (Unaudited)							
	Attributable to owners of the parent							
		Reserves						
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2019 (Audited)	**680,000,000**	**69,383,972**	**52,231,032**	**15,355,594**	**233,006,220**	**1,049,976,818**	**16,249,963**	**1,066,226,781**
Net profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**41,644,547**	**41,644,547**	**2,801,388**	**44,445,935**
Appropriation to general reserve	**–**	**–**	**–**	**920,673**	**(920,673)**	**–**	**–**	**–**
Distribution to shareholders (Note 11)	**–**	**–**	**–**	**–**	**(34,000,000)**	**(34,000,000)**	**–**	**(34,000,000)**
Capital injection by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**20,000,000**	**20,000,000**
Acquisition of subsidiaries (Note 4)	**–**	**–**	**–**	**–**	**–**	**–**	**122,465,293**	**122,465,293**
Balance as at 30 June 2019 (Unaudited)	**680,000,000**	**69,383,972**	**52,231,032**	**16,276,267**	**239,730,094**	**1,057,621,365**	**161,516,644**	**1,219,138,009**

	For the six months ended 30 June 2018 (Unaudited)							
	Attributable to owners of the parent							
		Reserves						
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2018 (Audited)	680,000,000	69,383,972	43,498,553	14,107,308	188,997,137	995,986,970	–	995,986,970
Net profit and total comprehensive income for the period	–	–	–	–	43,777,965	43,777,965	–	43,777,965
Appropriation to general reserve	–	–	–	1,302,072	(1,302,072)	–	–	–
Distribution to shareholders (Note 11)	–	–	–	–	(34,000,000)	(34,000,000)	–	(34,000,000)
Balance as at 30 June 2018 (Unaudited)	680,000,000	69,383,972	43,498,553	15,409,380	197,473,030	1,005,764,935	–	1,005,764,935

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019
(Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**58,144,942**	57,292,974
Adjustments for:			
Share of profit of an associate		**(2,974,056)**	(2,940,525)
Depreciation of property and equipment		**394,412**	279,672
Depreciation of right-of-use assets		**904,365**	—
Amortisation of other intangible assets		**725,831**	—
Impairment charged		**22,102,708**	6,194,608
Accreted interest on impaired loans		**(4,138,782)**	(1,380,014)
Foreign exchange gain, net		**(15,862)**	(31,721)
(Gain)/loss on disposal of items of property and equipment		**(21,559)**	1,151
Interest expense	6	**5,183,937**	4,592,713
(Increase)/decrease in financial assets at fair value through profit or loss		**(45,410,000)**	27,850,000
Increase in loans and accounts receivable		**(49,737,819)**	(109,942,904)
(Increase)/decrease in other assets		**(895,246)**	339,385
Increase in other payables		**1,007,240**	2,473,580
Net cash flows used in operating activities before tax		**(14,729,889)**	(15,271,081)
Income tax paid		**(19,433,924)**	(17,851,977)
Net cash flows used in operating activities		**(34,163,813)**	(33,123,058)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(24,751)**	(291,118)
Disposal of items of property and equipment		**30,000**	—
Dividends received from an associate		**7,185,000**	7,185,000
Acquisition of subsidiaries		**12,503,825**	—
Net cash flows from investing activities		**19,694,074**	6,893,882
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		**20,000,000**	—
Proceeds from new bank borrowings		**20,000,000**	25,000,000
Repayment of bank borrowings		**(50,000,000)**	—
Interest paid		**(5,157,593)**	(4,530,444)
Principal portion lease payments		**(1,002,560)**	—
Net cash flows (used in)/from financing activities	25	**(16,160,153)**	20,469,556
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(30,629,892)**	(5,759,620)
Cash and cash equivalents at beginning of the period		**51,717,811**	12,291,149
Effect of foreign exchange rate changes, net		**15,862**	31,721
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**21,103,781**	6,563,250

Notes to Interim Condensed Consolidated Financial Information

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

Quanzhou Huixin Micro-credit Co., Ltd. (the "**Company**") was established as a limited liability company in the People's Republic of China (the "**PRC**") and its registered office is located at 12th Floor, Former Finance Building, No. 361, Feng Ze Street, Quanzhou City, Fujian Province, PRC.

During the period, the principal activity of the Company and its subsidiaries (collectively referred to as the "**Group**") was the provision of loans to small and medium enterprises ("**SMEs**"), microenterprises and entrepreneurial individuals, as well as automobile finance lease and investment consulting services.

Information about subsidiaries

The particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Registered capital	Paid-up capital	Percentage of ownership interest attributable to the Company		Principal activities
				Direct	Indirect	
Quanzhou Huixinxing Investment Co., Ltd.	Quanzhou, China	Renminbi ("**RMB**") 50,000,000	RMB 50,000,000	100%	—	Investment advisory service
Quanzhou Lianche Finance Leasing Co., Ltd.	Quanzhou, China	US dollars ("**USD**") 10,000,000	USD 10,000,000	—	75%	Finance leasing
Jinjiang Huixin Microfinance Co., Ltd. ("**JJHX**")*	Jinjiang, China	RMB 200,000,000	RMB 200,000,000	47.9%	—	Provision of micro-credit
Fujian Huixinxing Bidding Guarantee Co., Ltd.	Fuzhou, China	RMB 50,000,000	RMB 50,000,000	—	60%	Non-financing guarantee business
Jinjiang Qiding Building Materials Co., Ltd.	Jinjiang, China	RMB 5,000,000	—	—	100%	Wholesale of building materials
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China	RMB 5,000,000	—	—	100%	Information technology advisory service
Hong Kong Huixinhang Co., Limited	Hong Kong, China	Hong Kong dollars ("**HKD**") 10,000,000	—	—	100%	Investment advisory service
Fujian Huichangfu Real Estate Agency Co.,Ltd.	Jinjiang, China	RMB 10,000,000	—	—	100%	Estate brokerage services
Xiamen Anshenghe Trading Co., Ltd. ("**Anshenghe**")**	Xiamen, China	RMB 5,078,000	RMB 5,078,000	—	100%	Wholesale
Jinjiang Qinyuan Investment Consulting Co., Ltd.	Jinjiang, China	RMB 5,000,000	—	—	100%	Investment advisory service

* JJHX is accounted for as a subsidiary of the Group even though the Group has only a 47.9% equity interest in this company based on the factors explained in note 4 to the interim condensed consolidated financial information.

** In May 2019, JJHX obtained a 100% interest in Anshenghe, details of which are set out in note 4 to the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements *2015–2017 Cycle*	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of HKFRS 16 (Continued)

New definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics, relied on the assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review, and excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of HKFRS 16 (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) (Unaudited)
Assets	
Increase in right-of-use assets	3,269,227
Decrease in prepayments, other receivables and other assets	(38,971)
Increase in total assets	3,230,256
Liabilities	
Increase in lease liabilities	3,287,322
Decrease in other payables and accruals	(57,066)
Increase in total liabilities	3,230,256

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	(Unaudited)
Operating lease commitments as at 31 December 2018	2,395,367
Weighted average incremental borrowing rate as at 1 January 2019	6.003%
Discounted operating lease commitments as at 1 January 2019	2,091,894
Add: Payments for optional extension periods not recognised as at 31 December 2018	1,195,428
Lease liabilities as at 1 January 2019	3,287,322

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of HKFRS 16 (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment properties, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group included the renewal period as part of the lease term for leases of property due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of HKFRS 16 (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets	
	Property lease	**Lease liabilities**
As at 1 January 2019	3,269,227	(3,287,322)
Depreciation charge	(904,365)	—
Interest expense	—	(88,057)
Payments	—	1,002,560
Acquisition of a subsidiary	183,234	(122,136)
As at 30 June 2019	2,548,096	(2,494,955)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

Several other amendments and interpretations apply for the first time in 2019, but do not have any impact on the condensed consolidated financial statements of the Group.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

4. BUSINESS COMBINATIONS

In April 2019, the Company and Quanzhou Yuanpeng Clothing and Textile Co., Ltd ("**Quanzhou Yuanpeng**"), which hold 47.9% and 9.6% equity interests in JJHX, respectively, entered into an agreement whereby the two parties agreed to act in concert in exercise of the voting and other rights in relation to their shareholdings in JJHX. As a result of the above arrangement, the Company considered it has control over JJHX. Accordingly, the Company ceased to account for the investment in JJHX as an investment in an associate and the results of JJHX are consolidated in the Group's consolidated financial statements.

The fair values of the identifiable assets and liabilities of JJHX as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited)
Cash and bank balances	13,581,344
Financial assets at fair value through profit or loss	7,340,000
Loans and accounts receivable	215,709,407
Other assets	3,958,341
Other liabilities	(5,530,947)
Total identifiable net assets at fair value	235,058,145
Non-controlling interests	(122,465,293)
Goodwill on acquisition	14,729,281
Fair value of the equity interest held by the Company	127,322,133

Management assessed the fair value of the investment in JJHX as of the acquisition date and considered the fair value approximates its carrying amount and therefore no revaluation gains or losses were recognised from this transaction.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	—
Cash and bank balances acquired	13,581,344
Net inflow of cash and cash equivalents included in cash flows from investing activities	13,581,344

Since the acquisition, JJHX contributed RMB10,255,832 to the Group's interest income and a net profit of RMB4,773,858 to the consolidated profit for the period ended 30 June 2019.

Had the combination taken place at the beginning of the period, the interest income of the Group and the net profit of the Group for the period would have been RMB107,533,397 and RMB50,654,870, respectively.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

4. BUSINESS COMBINATIONS (Continued)

In May 2019, JJHX repossessed a 100% interest in Anshenghe as a settlement for its non-performing loans. In addition, JJHX paid the original shareholder of Anshenghe a cash consideration of RMB1,078,000. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of the acquired subsidiary since its acquisition date.

The fair values of the identifiable assets and liabilities of Anshenghe as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited)
Cash and bank balances	481
Financial assets at fair value through profit or loss	6,764,811
Other payables	(61,590)
Total identifiable net assets at fair value	6,703,702
Non-controlling interests	—
Goodwill on acquisition	—
Consideration:	
Cash	1,078,000
Fair value of the loan settled	5,625,702
Purchase consideration transferred	6,703,702

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(1,078,000)
Cash and bank balances acquired	481
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,077,519)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

5. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) The micro-credit business provides credit facilities to SMEs, microenterprises and entrepreneurial individuals; and
(b) The finance lease business is primarily engaged in providing automobile lease service for SMEs and individuals.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss.

Segment revenue, results and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Six months ended 30 June 2019	Micro-credit business	Finance lease business	Total
Segment revenue			
Interest income	93,133,624	2,826,616	95,960,240
Interest expense	(5,173,366)	(10,571)	(5,183,937)
Interest income, net	87,960,258	2,816,045	90,776,303
Segment results	43,256,561	1,189,374	44,445,935
Segment assets	1,384,583,650	67,657,607	1,452,241,257
Segment liabilities	231,634,868	1,468,380	233,103,248
Other segment Information			
Net charge/(reversal) of the impairment on loans and accounts receivables	22,124,873	(22,165)	22,102,708
Share of profit of an associate	2,974,056	—	2,974,056
Depreciation and amortisation	1,772,202	252,406	2,024,608
Capital expenditure*	2,645,118	—	2,645,118

* Capital expenditure consists of additions to property and equipment and intangible assets.

During the six months ended 30 June 2018, there was no finance lease business of the Group and almost all of the Group's revenue was generated from the provision of credit facilities to SMEs, microenterprises and entrepreneurial individuals in Quanzhou, Fujian Province in Mainland China. The Group's chief operating decision makers focus on the operating results of the Group as a whole. Accordingly, no segment analysis or information about the Group's products and services for the six months ended 30 June 2018 is presented.

(Amounts expressed in RMB unless otherwise stated)

5. SEGMENT REPORTING (Continued)

Geographical information

Almost all of the Group's revenue generated from external customers and assets were located in Quanzhou, Fujian Province in Mainland China during the period.

6. INTEREST INCOME

	Six months ended 30 June	
	2019	2018
Interest income on:		
Loans and accounts receivable	**95,960,240**	75,175,740
Interest expense on:		
Bank loans	**(5,095,880)**	(4,592,713)
Lease liabilities	**(88,057)**	—
Interest income, net	**90,776,303**	70,583,027

7. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLE

The table below shows the expected credit loss ("**ECL**") charges on the financial instruments for the period recorded in profit or loss:

Six months ended 30 June 2019	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3**	**Total**
Loans and accounts receivable	**(7,467,128)**	**5,624,679**	**23,945,157**	**22,102,708**
Total impairment loss	**(7,467,128)**	**5,624,679**	**23,945,157**	**22,102,708**

Six months ended 30 June 2018	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	3,439,561	(1,243,106)	3,998,153	6,194,608
Total impairment loss	3,439,561	(1,243,106)	3,998,153	6,194,608

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

8. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2019	2018
Gains from financial assets at fair value through profit or loss	**975,703**	595,984
Interest from bank deposits	**84,774**	16,250
Gain/(loss) on disposal of items of property and equipment	**21,559**	(1,151)
Others	**164,695**	21,585
Total	**1,246,731**	632,668

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
Depreciation and amortisation	**2,024,608**	279,672
Staff costs:		
Salaries, bonuses and allowances	**6,020,242**	4,391,874
Other social welfare	**1,067,954**	628,788
Leasing expense	**—**	724,137
Consulting fee	**1,376,489**	1,216,353
Guarantee fee	**396,698**	408,585
Auditor's remuneration	**486,835**	411,650

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
Current income tax	**13,669,827**	13,772,953
Deferred income tax (Note 19)	**29,180**	(257,944)
Total	**13,699,007**	13,515,009

The Group conducts all of its businesses in Mainland China and the applicable income tax rate is generally 25% in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Group is domiciled to the tax expense at the effective tax rate is as follows:

	Six months ended 30 June	
	2019	2018
Profit before tax	**58,144,942**	57,292,974
Tax at the applicable tax rate of 25%	**14,536,236**	14,323,244
Tax effect of income not subject to tax	**(743,514)**	(813,009)
Tax effect of expenses not deductible for tax purposes	**28,729**	4,774
Adjustment for prior year tax expense	**(89,625)**	—
Tax losses utilised from previous periods	**(32,921)**	—
Tax losses not recognised	**102**	—
Total tax expense for the period at the Group's effective tax rate	**13,699,007**	13,515,009

11. DIVIDENDS

	Six months ended 30 June	
	2019	2018
Proposed and paid dividend	**34,000,000**	34,000,000

Pursuant to the resolution of its annual general meeting on 12 June 2019, the Company distributed cash dividends of RMB34 million to the shareholders.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to shareholders of the parent, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the period in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the period.

	Six months ended 30 June	
	2019	2018
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**41,644,547**	43,777,965
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**680,000,000**	680,000,000
Basic and diluted earnings per share	**0.06**	0.06

13. CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Cash on hand	**28,596**	1,444
Cash at banks	**21,075,185**	51,716,367
	21,103,781	51,717,811

At the end of the reporting period, the cash and bank balances of the Group denominated in HKD and USD amounted to RMB249 (2018: RMB248) and RMB16,527,056 (2018: RMB17,411,322), respectively. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019	31 December 2018
Wealth management products	105,750,000	53,000,000
Equity investment	6,764,811	—
	112,514,811	53,000,000

In order to deploy surplus cash more effectively, the Group purchased from time to time wealth management products, which are held for a relatively short period of time, offered by licensed commercial banks in the PRC.

15. LOANS AND ACCOUNTS RECEIVABLE

	30 June 2019	31 December 2018
Loans receivable	1,297,805,361	1,023,706,284
Lease receivables	54,465,576	56,797,698
Less: Unearned finance income	(6,268,429)	(7,122,889)
Net lease receivables	48,197,147	49,674,809
Less: Allowance for impairment		
— Individually assessed	(39,731,881)	(18,960,642)
— Collectively assessed	(30,538,311)	(17,435,353)
	1,275,732,316	1,036,985,098

The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLE (Continued)

The table below shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating system and period-end stage classification. The amounts presented are the gross carrying amount of loans and accounts receivable.

	30 June 2019			
	12-month ECLs	Lifetime ECLs		
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Net lease receivables				
Not yet past due	**48,197,147**	**—**	**—**	**48,197,147**
Loans receivable				
Performing loans (i)	**1,024,199,234**	**197,000,888**	**—**	**1,221,200,122**
Impaired loans (ii)	**—**	**—**	**76,605,239**	**76,605,239**
Total	**1,072,396,381**	**197,000,888**	**76,605,239**	**1,346,002,508**

	31 December 2018			
	12-month ECLs	Lifetime ECLs		
	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Net lease receivables				
Not yet past due	49,674,809	—	—	49,674,809
Loans receivable				
Performing loans (i)	920,274,205	48,481,169	—	968,755,374
Impaired loans (ii)	—	—	54,950,910	54,950,910
Total	969,949,014	48,481,169	54,950,910	1,073,381,093

(i) Performing loans are collectively assessed for impairment.
(ii) Impaired loans to customers include those with objective evidence of impairment.

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 30 June 2019, 45.3% (31 December 2018: 41.7%) of loans receivable were guaranteed loans, and 54.3% (31 December 2018: 53.7%) of loans receivable were collateral-backed loans.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLE (Continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and accounts receivable are as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2018	884,500,568	35,362,772	20,623,858	940,487,198
New	2,974,224,322	—	—	2,974,224,322
Derecognised	(2,861,083,702)	(23,362,772)	(2,147,165)	(2,886,593,639)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(43,281,169)	43,281,169	—	—
Transfer to Stage 3	(30,000,000)	(6,800,000)	36,800,000	—
Write-off	—	—	(325,783)	(325,783)
Acquisition of a subsidiary	45,588,995	—	—	45,588,995
At 31 December 2018	969,949,014	48,481,169	54,950,910	1,073,381,093
New	1,770,572,238	—	—	1,770,572,238
Derecognised	(1,660,355,698)	(59,628,721)	(12,850,000)	(1,732,834,419)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(114,086,841)	114,086,841	—	—
Transfer to Stage 3	—	(1,610,000)	1,610,000	—
Write-off	—	—	(12,409,005)	(12,409,005)
Acquisition of subsidiaries	106,317,668	95,671,599	45,303,334	247,292,601
At 30 June 2019	1,072,396,381	197,000,888	76,605,239	1,346,002,508

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLE (Continued)

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2018	10,973,389	2,855,121	7,139,559	20,968,069
Net charge/(reversal) of the impairment	2,473,671	(1,852,175)	12,723,111	13,344,607
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(547,883)	547,883	—	—
Transfer to Stage 3	(379,761)	(549,019)	928,780	—
Accreted interest on impaired loans	—	—	(3,226,428)	(3,226,428)
Impact on period end ECL of exposures transferred between stages during the period	—	3,230,292	1,721,403	4,951,695
Write-off and transfer out	—	—	(325,783)	(325,783)
Acquisition of a subsidiary	683,835	—	—	683,835
At 31 December 2018	13,203,251	4,232,102	18,960,642	36,395,995
Net charge/(reversal) of the impairment	(5,876,186)	(2,886,145)	23,758,306	14,995,975
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(1,590,942)	1,590,942	—	—
Transfer to Stage 3	—	(49,322)	49,322	—
Accreted interest on impaired loans	—	—	(4,138,782)	(4,138,782)
Impact on period end ECL of exposures transferred between stages during the period	—	6,969,204	137,529	7,106,733
Write-off and transfer out	—	—	(15,672,923)	(15,672,923)
Acquisition of subsidiaries	1,516,207	5,185,399	24,881,588	31,583,194
At 30 June 2019	7,252,330	15,042,180	47,975,682	70,270,192

The Group did not have any loans and accounts receivable that were still subject to enforcement activity, but, otherwise, had already been written off either at 30 June 2019 or at 31 December 2018.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLE (Continued)

The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following consecutive accounting years:

	30 June 2019	31 December 2018
Lease receivables:		
Due within 1 year	**28,681,950**	25,303,073
Due in 1 to 2 years	**21,288,367**	23,096,534
Due in 2 to 3 years	**4,495,259**	8,398,091
	54,465,576	56,797,698

	30 June 2019	31 December 2018
Net lease receivables:		
Due within 1 year	**24,245,181**	20,713,596
Due in 1 to 2 years	**19,642,316**	20,908,152
Due in 2 to 3 years	**4,309,650**	8,053,061
	48,197,147	49,674,809

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that was needed to be recorded as at the end of the reporting period.

16. PROPERTY AND EQUIPMENT

	Motor vehicles	**Fixtures and furniture**	**Leasehold improvements**	**Total**
Cost:				
At 1 January 2018	902,803	1,252,421	2,124,058	4,279,282
Additions	84,006	55,507	291,708	431,221
Acquisition of a subsidiary	—	166,272	309,590	475,862
Disposals	—	(37,920)	—	(37,920)
At 31 December 2018	986,809	1,436,280	2,725,356	5,148,445
Additions	—	21,375	420	21,795
Acquisition of a subsidiary	703,268	109,944	—	813,212
Disposals	(157,176)	—	—	(157,176)
At 30 June 2019	1,532,901	1,567,599	2,725,776	5,826,276

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

16. PROPERTY AND EQUIPMENT (Continued)

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Accumulated depreciation:				
At 1 January 2018	648,798	497,638	1,757,721	2,904,157
Depreciation charge for the year	97,032	294,251	229,900	621,183
Acquisition of a subsidiary	—	32,243	78,036	110,279
Disposals	—	(36,024)	—	(36,024)
At 31 December 2018	745,830	788,108	2,065,657	3,599,595
Depreciation charge for the period	53,743	179,210	161,459	394,412
Acquisition of a subsidiary	573,794	99,851	—	673,645
Disposals	(149,317)	—	—	(149,317)
At 30 June 2019	1,224,050	1,067,169	2,227,116	4,518,335
Net carrying amount:				
At 30 June 2019	308,851	500,430	498,660	1,307,941
At 31 December 2018	240,979	648,172	659,699	1,548,850

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

17. GOODWILL

Cost at 1 January 2018, net of accumulated impairment	—
Acquisition of a subsidiary	2,221,017
Cost at 31 December 2018, net of accumulated impairment	2,221,017
At 31 December 2018:	
Cost	2,221,017
Accumulated impairment	—
Net carrying amount	2,221,017
Cost at 1 January 2019, net of accumulated impairment	2,221,017
Acquisition of subsidiaries (Note 4)	14,729,281
Cost at 30 June 2019, net of accumulated impairment	16,950,298
At 30 June 2019:	
Cost	16,950,298
Accumulated impairment	—
Net carrying amount	16,950,298

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

18. OTHER INTANGIBLE ASSETS

	Software
Cost:	
At 1 January 2018	954,400
Acquisition of a subsidiary	280,000
At 31 December 2018	1,234,400
Additions	2,623,323
Acquisition of a subsidiary	22,700
At 30 June 2019	3,880,423
Accumulated amortisation:	
At 1 January 2018	954,400
Acquisition of a subsidiary	116,667
Charge for the year	23,333
At 31 December 2018	1,094,400
Acquisition of subsidiaries	22,700
Charge for the period	725,831
At 30 June 2019	1,842,931
Net carrying amount:	
At 31 December 2018	140,000
At 30 June 2019	2,037,492

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

19. DEFERRED TAX ASSETS

The movements in the deferred tax assets are as follows:

	Impairment allowance on loans
At 1 January 2018	1,446,089
Recognised in profit or loss	670,322
At 31 December 2018	2,116,411
Recognised in profit or loss (Note 10)	(29,180)
Acquisition of subsidiaries	1,205,058
At 30 June 2019	3,292,289

20. OTHER ASSETS

	Note	30 June 2019	31 December 2018
Repossessed assets	(a)	**13,152,760**	8,060,000
Other receivables		**1,912,465**	1,448,906
Deferred and prepaid expenses		**1,689,008**	3,562,612
		16,754,233	13,071,518

(a) Repossessed assets are properties located at Quanzhou, Fujian Province and Weihai, Shandong Province in the PRC. The contracts to effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2018: RMB8,060,000) have not been obtained because these properties are still under development.

21. INTEREST-BEARING BANK BORROWINGS

	30 June 2019	31 December 2018
Guaranteed bank loans repayable:		
Within one year	**170,275,112**	200,336,825

As at 30 June 2019, the annual interest rate of the loans above was 6.003% (31 December 2018: 6.003%).

The interest-bearing bank borrowings of RMB170 million as at 30 June 2019 were guaranteed by the holding company, Fujian Septwolves Group Co., Ltd. ("**Septwolves Group**").

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

22. OTHER PAYABLES

	30 June 2019	31 December 2018
Payrolls payable	**2,232,257**	2,792,062
Value-added tax, and surcharges payable	**3,461,486**	2,637,223
Audit fee	**450,000**	1,226,415
Deposits	**9,728,741**	7,132,335
Dividend payable	**34,000,000**	—
Others	**1,230,047**	397,116
	51,102,531	14,185,151

23. SHARE CAPITAL

	30 June 2019	31 December 2018
Issued and fully paid ordinary shares of RMB1 each	**680,000,000**	680,000,000

24. RESERVES

The amounts of the Group's reserves and the movements therein for the period are presented in the consolidated statement of changes in equity.

Capital reserve

Capital reserve comprises share premium, which represents the difference between the par value of the shares of the Group and the proceeds received from the issuance of the shares of the Company.

Surplus reserve

Surplus reserve comprises the statutory surplus reserve and the discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of their net profit, as determined under China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, the statutory surplus reserve may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After making the appropriation to the statutory surplus reserve, the Company and its subsidiary, JJHX, may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

24. RESERVES (Continued)

General reserve

In accordance with the relevant regulations, the Company is required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets before 30 June 2019. Such reserve is not available for profit distribution or transfer to capital. As at 30 June 2019, the balance of the general reserve of the Company was RMB16.3 million, no lower than 1.5% of its risk assets.

Distributable profit

Pursuant to the resolution of the board of directors of the Company passed on 19 March 2019, a final dividend of approximately RMB34 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of the statutory surplus reserve and general reserve and was approved by shareholders of the Company at the annual general meeting on 12 June 2019.

25. NOTE TO THE INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	Amounts due to shareholders
At 1 January 2018	140,182,217	—
Changes from financing cash flows	20,469,556	—
2017 final dividends payable	—	34,000,000
Interest expense	4,592,713	—
At 30 June 2018	165,244,486	34,000,000

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders
At 31 December 2018	200,336,825	—	—
Effect of adoption of HKFRS 16	—	3,287,322	—
At 1 January 2019 (restated)	200,336,825	3,287,322	—
Changes from financing cash flows	(35,157,593)	(1,002,560)	—
2018 final dividends payable	—	—	34,000,000
Acquisition of a subsidiary	—	122,136	—
Interest expense	5,095,880	88,057	—
At 30 June 2019	170,275,112	2,494,955	34,000,000

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

26. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019	2018
Salaries and other short-term employee benefits	**1,277,506**	1,265,783

(b) Loan guarantee

The interest-bearing bank borrowings of RMB170 million as at 30 June 2019 were guaranteed by Septwolves Group. The guarantee fee of RMB396,698 was accrued during the period, which was based on a fixed rate of the balance of the interest-bearing bank borrowings.

(c) Intermediary channel services

For the six months ended 30 June 2019, the Group provided intermediary channel services to the related parties, Fujian Yuanheng Pegadaian Co., Ltd. which generated other revenue of RMB157,142, with no outstanding balance at 30 June 2019.

(d) Outstanding balances with related parties

As at 30 June 2019, the Group had an outstanding balance due to Septwolves Group, amounting to RMB265,000. The balance is unsecured and interest-free.

27. CONTINGENT LIABILITIES

As at 30 June 2019, there were no significant contingent liabilities.

28. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019	31 December 2018
Contracted, but not provided for:		
Software	**988,000**	556,553

(Amounts expressed in RMB unless otherwise stated)

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	30 June 2019					
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	21,103,781	–	–	–	–	21,103,781
Financial assets at fair value through profit or loss	105,750,000	–	–	–	6,764,811	112,514,811
Loans and accounts receivable	–	46,087,946	347,136,052	840,528,914	41,979,404	1,275,732,316
Property and equipment	–	–	–	–	1,307,941	1,307,941
Right-of-use assets	–	–	–	–	2,548,096	2,548,096
Goodwill	–	–	–	–	16,950,298	16,950,298
Other intangible assets	–	–	–	–	2,037,492	2,037,492
Deferred tax assets	–	–	–	–	3,292,289	3,292,289
Other assets	–	–	479,350	2,656,400	13,618,483	16,754,233
Subtotal	126,853,781	46,087,946	347,615,402	843,185,314	88,498,814	1,452,241,257
Liabilities:						
Interest-bearing bank borrowings	–	–	275,112	–	170,000,000	170,275,112
Lease liabilities	–	–	1,330,983	730,276	433,696	2,494,955
Income tax payable	–	–	9,230,650	–	–	9,230,650
Other payables	–	–	39,978,790	7,423,741	3,700,000	51,102,531
Subtotal	–	–	50,815,535	8,154,017	174,133,696	233,103,248
Net	126,853,781	46,087,946	296,799,867	835,031,297	(85,634,882)	1,219,138,009

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30 June 2019
(Amounts expressed in RMB unless otherwise stated)

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

	31 December 2018					
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	51,717,811	—	—	—	—	51,717,811
Financial assets at fair value through profit or loss	53,000,000	—	—	—	—	53,000,000
Loans and accounts receivable	—	55,978,535	270,915,576	546,547,788	163,543,199	1,036,985,098
Property and equipment	—	—	—	—	1,548,850	1,548,850
Goodwill	—	—	—	—	2,221,017	2,221,017
Other intangible assets	—	—	—	—	140,000	140,000
Investment in an associate	—	—	—	—	131,533,077	131,533,077
Deferred tax assets	—	—	—	—	2,116,411	2,116,411
Other assets	—	—	314,178	4,367,934	8,389,406	13,071,518
Subtotal	104,717,811	55,978,535	271,229,754	550,915,722	309,491,960	1,292,333,782
Liabilities:						
Interest-bearing bank borrowings	—	—	336,825	200,000,000	—	200,336,825
Income tax payable	—	—	11,585,025	—	—	11,585,025
Other payables	—	—	7,585,151	—	6,600,000	14,185,151
Subtotal	—	—	19,507,001	200,000,000	6,600,000	226,107,001
Net	104,717,811	55,978,535	251,722,753	350,915,722	302,891,960	1,066,226,781

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's financial assets mainly include cash at banks, financial assets at fair value through profit or loss and loans and accounts receivable.

The Group's financial liabilities mainly include interest-bearing bank borrowings and lease liabilities.

Due to the short remaining period or periodical repricing to reflect market price, the carrying amounts of these financial assets and liabilities approximate to their fair values.

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurements of financial instruments. The finance director reports directly to the general manager and the audit committee. At each reporting date, the Group analyses the movements in the values of financial instruments. The valuation is reviewed and approved by the general manager.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these wealth management products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of equity investments at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2019
(Amounts expressed in RMB unless otherwise stated)

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2019	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss	**105,750,000**	**—**	**6,764,811**	**112,514,811**

31 December 2018	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	53,000,000	—	—	53,000,000

During the six months ended 30 June 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets (For the six months ended 30 June 2018: Nil).

31. EVENTS AFTER THE REPORTING PERIOD

Other than mentioned in other notes, the Group had no significant event after the reporting period.

(Amounts expressed in RMB unless otherwise stated)

32. INTERIM STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the interim statement of financial position of the Company at the end of the reporting period is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS		
Cash and cash equivalents	**3,834,676**	32,674,394
Financial assets at fair value through profit or loss	**15,510,000**	49,000,000
Loans and accounts receivable	**1,034,885,428**	988,055,411
Property and equipment	**891,589**	1,172,320
Right-of-use assets	**2,000,748**	—
Investments in subsidiaries	**177,322,133**	50,000,000
Investment in an associate	**—**	131,533,077
Intangible assets	**1,967,492**	—
Deferred tax assets	**2,435,577**	2,116,411
Other assets	**33,791,797**	12,896,144
TOTAL ASSETS	**1,272,639,440**	1,267,447,757
LIABILITIES		
Interest-bearing bank borrowings	**170,275,112**	200,336,825
Lease liabilities	**2,016,650**	—
Income tax payable	**6,049,563**	11,449,517
Other payables	**40,735,385**	6,107,123
TOTAL LIABILITIES	**219,076,710**	217,893,465
NET ASSETS	**1,053,562,730**	1,049,554,292
EQUITY		
Share capital	**680,000,000**	680,000,000
Reserves	**137,891,271**	136,970,598
Retained profits	**235,671,459**	232,583,694
TOTAL EQUITY	**1,053,562,730**	1,049,554,292

(Amounts expressed in RMB unless otherwise stated)

32. INTERIM STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2018	69,383,972	43,498,553	14,107,308	126,989,833
Appropriation to surplus reserve	—	8,732,479	—	8,732,479
Appropriation to general reserve	—	—	1,248,286	1,248,286
Balance as at 31 December 2018 and 1 January 2019	69,383,972	52,231,032	15,355,594	136,970,598
Appropriation to general reserve	—	—	920,673	920,673
Balance as at 30 June 2019	69,383,972	52,231,032	16,276,267	137,891,271

33. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved and authorised for issue by the Company's board of directors on 23 August 2019.