



الأولى للتمويل
FIRST FINANCE

الرقم : 2019/4/152

التاريخ : 2019/08/06

الساده : هيئة الأوراق المالية المحترمين

الساده : بورصة عمان المحترمين

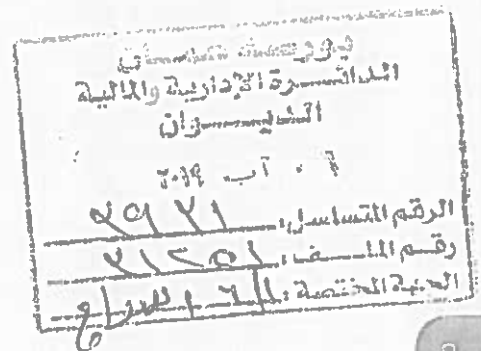
الموضوع : البيانات المالية باللغة الانجليزية

نرفق لكم طيا البيانات المالية باللغة الانجليزية كما في 2019/06/30 بالإضافة الى القرص المدمج .

وتفضلوا بقبول فائق الاحترام ،،،،،

الشركة الاولى للتمويل

الأولى للتمويل
FIRST FINANCE



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رأس المال المدفوع: ٣٥٠ مليون أردني					

First Finance Company

Public Shareholding Company

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2019



Building a better
working world

Ernst & Young Jordan

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**REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF FIRST FINANCE COMPANY (PUBLIC SHAREHOLDING COMPANY)
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of First Finance Company (Public Shareholding Company) (the "Company") and its subsidiary (the "Group") as at 30 June 2019, comprising of the interim condensed consolidated statement of financial position as at 30 June 2019 and the related interim condensed consolidated statement of income, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. Board of directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the 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 International 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matter

The Consolidated Financial Statements for the year ended 31 December 2018 and the Interim Condensed Consolidated Financial Statements for the period ended 30 June 2018 were audited and reviewed by another auditor, who issued an unqualified opinion for the year ended 31 December 2018 dated on 25 March 2019, and a qualified conclusion on Interim Condensed Consolidated Financial Statements for the period ended 30 June 2018 dated on 30 April 2018 for not recording the Expected Credit Loss impact of IFRS 9 starting from 1 January 2018, whereas the Group recognized the impact in the last quarter of 2018, the implementation of IFRS 9 resulted in a decrease in the retained earnings by an amount of JD 5,697,385. The qualified conclusion of the other auditor does not include the adjustments disclosed in note 2.

Amman – Jordan
28 July 2019

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 JUNE 2019

	Notes	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
ASSETS			
Cash on hand, at banks and financial institutes	3	1,155,283	2,693,792
Accounts receivable from financing activities – net	4	43,069,027	42,608,698
Financial assets at fair value through statement of profit or loss	5	32,603	52,824
Financial assets at fair value through other comprehensive income	6	4,831,309	5,304,372
Right of use assets		1,002,197	-
Property and equipment - net		421,476	459,153
Deferred tax assets	12	5,626,977	5,644,738
Other current assets	7	1,895,302	1,682,188
TOTAL ASSETS		58,034,174	58,445,765
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Customers' investment accounts	8	8,432,046	10,402,472
Income tax provision	12	155,166	272
Lease liability		920,592	-
Other current liabilities	9	3,947,136	2,769,696
Total liabilities		13,454,940	13,172,440
SHAREHOLDERS' EQUITY			
Paid in capital	10	35,000,000	35,000,000
Statutory reserve	10	3,253,739	3,253,739
Voluntary reserve	10	229,851	229,851
Fair value reserve	11	(980,008)	(683,787)
Retained earnings		6,073,522	7,473,522
Profit for the Period		1,002,130	-
Total shareholders' equity		44,579,234	45,273,325
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		58,034,174	58,445,765

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

	Notes	For the Three months ended 30 June		For the six months ended 30 June	
		2019	2018	2019	2018
		JD	JD	JD	JD
			(Restated Note 2)		(Restated Note 2)
Revenue-					
Finance revenue		805,976	1,280,697	2,048,915	3,024,508
(Less): share of customers' investment accounts		(116,757)	(180,637)	(239,551)	(326,243)
Company's share of revenue		689,219	1,100,060	1,809,364	2,698,265
Dividends income from financial assets at fair value through profit or loss		152,363	239,499	152,363	239,499
(Loss) gain from valuation of financial assets at fair value through profit or loss		(3,520)	3,125	(20,221)	2,606
Other income – net		183,378	498,802	638,376	400,592
Total revenue		1,021,440	1,841,486	2,579,882	3,340,962
Expenses-					
Employees expenses		(248,033)	(300,802)	(446,114)	(501,973)
Other operating expenses		(165,568)	(116,693)	(296,433)	(338,241)
Expected credit loss	4	(94,510)	(831,189)	(311,037)	(1,662,378)
Accretion of lease liability discount		(28,070)	-	(28,070)	-
Depreciation expense		(71,062)	(41,989)	(140,743)	(70,990)
Total Expenses		(607,243)	(1,290,673)	(1,222,397)	(2,573,582)
Profit for the period before tax		414,197	550,813	1,357,485	767,380
Income tax expense	12	(97,225)	49,931	(355,355)	(329,199)
Profit for the period		316,972	600,744	1,002,130	438,181
		JD/ Fils	JD/ Fils	JD/ Fils	JD/ Fils
Basic and diluted earnings per share from the profit for the period	13	0/010	0/020	0/030	0/010

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

	For the Three months ended 30 June		For the Three months ended 30 June	
	2019	2018	2019	2018
	JD	JD	JD	JD
		(Restated Note 2)		(Restated Note 2)
Profit for the period	316,972	600,744	1,002,130	438,181
Other comprehensive income items:				
Items will not be transferred to statement of income in subsequent periods:				
Net changes in fair value of financial assets through other comprehensive incomes in subsequent periods:	161,562	254,922	(296,221)	72,973
Total comprehensive income for the period	478,534	855,666	705,909	511,154

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

	Paid in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Profit for the period	Total
	JD	JD	JD	JD	JD	JD	JD
For the period ended 30 June 2019-							
Beginning balance of the period	35,000,000	3,253,739	229,851	(683,787)	7,473,522	-	45,273,325
Total comprehensive income for the period	-	-	-	(296,221)	-	1,002,130	705,909
Net change in fair value reserve (Note 10)	-	-	-	-	(1,400,000)	-	(1,400,000)
Balance at 30 June 2019	35,000,000	3,253,739	229,851	(980,008)	6,073,522	1,002,130	44,579,234
For the period ended 30 June 2018 -							
Beginning balance of the period	35,000,000	3,120,815	229,851	(335,885)	12,657,843	-	50,672,624
Restatement (Note (2-3))	-	-	-	-	(5,378,885)	-	(5,378,885)
Restated balance	35,000,000	3,120,815	229,851	(335,885)	7,278,958	-	45,293,739
Total comprehensive income for the period	-	-	-	72,973	-	438,181	511,154
Dividends distributed	-	-	-	-	(1,400,000)	-	(1,400,000)
Balance at 30 June 2018	35,000,000	3,120,815	229,851	(262,912)	5,878,958	438,181	44,404,893

* The retained earnings balance includes an amount of JD 5,626,977 representing the value of deferred tax assets as of 30 June 2019 (31 December 2018: JD 5,644,738), which is restricted from retained earnings in accordance with the Jordan Securities Commission regulations.

** According to Jordan Securities Commission instructions, the company should not use or distribute an amount of JD 980,008 from the retained earnings, which represents the negative fair value reserve.

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

		For the period ended 30 June	
	Notes	2019	2018
		JD	JD (Restated note 2)
<u>OPERATING ACTIVITIES</u>			
Profit for the period before tax		1,357,485	767,380
Adjustments-			
Expected Credit Loss	4	311,037	1,662,378
Dividends from financial assets at fair value through profit or loss		(152,363)	(239,499)
Depreciation		140,743	70,990
Loss (gain) from valuation of financial assets at fair value through statement of profit or loss		20,221	(2,606)
Net cash flows from operating activities before changes in working capital items		1,677,123	2,258,643
(Increase) in account receivables from financing activities - net		(771,366)	(5,498,650)
(Increase) decrease in other current assets		(1,259,154)	272,103
(Decrease) increase in customers' investment accounts		(1,970,426)	3,022,424
Increase in other current liabilities		1,210,742	390,967
Net cash flows (used in) from operating activities before income tax paid		(1,113,081)	445,487
Income tax paid	12	(5,857)	(910,427)
Net cash flows used in operating activities		(1,118,938)	(464,940)
<u>INVESTING ACTIVITIES</u>			
(Purchase) of property and equipment		(6,254)	(15,464)
(Purchase) of financial assets at fair value through other comprehensive income		-	(8,414)
Project under construction		(23,229)	-
Dividends income received		122,623	239,499
Sale of financial assets at fair value through statement of profit or loss		-	16,227
Net cash flows from investing activities		93,140	231,848
<u>FINANCING ACTIVITIES</u>			
Bank's facilities withdrawals		-	956,178
Dividend paid to shareholders		(512,711)	(739,899)
Net cash flows (used in) from financing activities		(512,711)	216,279
Net decrease in cash on hand and at banks		(1,538,509)	(16,813)
Cash on hand and at banks at the beginning of the period		2,693,792	529,598
Cash on hand and at banks at the end of the period	3	1,155,283	512,785

The accompanying notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements

1 GENERAL

First Finance Company ("the Company") was established as a Public Shareholding Company and is registered with the Ministry of Industry and Trade under no. (390) on 5 March 2006. The Company's address is King Abdullah II street building No (72), Khalda, P.O.Box 144596 Amman 11841 Jordan. The Company's authorized capital is JD 50 Million. In accordance with the resolution of the General Assembly of shareholders, in its extraordinary meeting held on 14 April 2011, and after the approval of the Minister of Industry and Trade on 22 June 2011 in the Companies' Controller Letter No. MSH/1/390 dated on 27 June 2011, the Company reduced its authorized and paid-in capital by JD 15 million to write-off the accumulated losses. Consequently, the Company's capital has become JD 35 million instead of JD 50 million.

The Company's main objectives are as follows:

- Performing financing activities for individuals and legal entities in accordance with the Sharia. This includes, for example, direct financing of consumer and durable goods, financing of real estate, including financing of land, housing, buildings, and construction financing the establishment of private and public projects.
- Acting as intermediary between banks, local lending and financing institutions, international and regional development funds and banks, and between the beneficiaries of the programs of these institutions.
- Managing others' funds in the financial and investment sectors for specific fees or shares from the proceeds of such funds.
- Managing property, real estate and other fixed and transferred assets owned by others.
- Based on the Ministry of Industry and Trade's Letter No. MH/1/390.19827 dated on 3 September 2006, the Company started operating effective from the date of the Ministry's letter.

The condensed interim consolidated financial statements have been approved by the Board of Directors on 25 July 2019.

2 ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- The interim condensed consolidated financial statements as of 30 June 2019 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.
- The interim condensed consolidated financial statements have been prepared under the historical cost convention, expected for financial and liabilities are measured at fair value.
- The interim condensed consolidated financial statement have been presented in Jordanian Dinars, which is the functional currency of the Company.

- The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the annual financial statements as of 31 December 2018. In addition, results of the six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.
- The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the amendments presented in note (2-4).

2-2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements for the Company and its subsidiary (Sukok Leasing Company) (together the "Group") for the period ended on 30 June 2019 consist of the following:

	<u>Paid in capital</u>	<u>Ownership interest</u>	<u>Nature</u>	<u>Location</u>	<u>Establishment date</u>
	<u>JD</u>	<u>%</u>			
Sukok Leasing Company	500,000	100	Trading	Jordan	19 April 2017

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss.

2-3 COMPARATIVE FIGURES

The Company has restated the comparative figures as of 1 January 2018 and for the period ended 30 June 2018:

- To reflect the impact of IFRS 9. As the Management did not complete the assessment of the impact in the previous financial statements for the period ended 30 June 2018, the effect of the assessment was a decrease in the retained earnings and accounts receivable from financing activities of JD 5,697,385 for each.
- The Company restated the comparative figures for the period ended 30 June 2018 to recognize the revenues that had been suspended in prior periods and had to be reimbursed for finance revenue during the year ended 31 December 2017. The effect of the adjustment was an increase in accounts receivable from financing activities and retained earnings by JD 318,500.

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2019 (UNAUDITED)

The impact of these adjustments on the financial statements is as follows:

1 January 2018	Before restatement JD	Impact JD	Restated balance JD
<u>Shareholders' equity</u>			
Retained earnings	12,657,843	(5,378,885)	7,278,958
<u>Assets</u>			
Accounts receivable from financing activities – net	62,588,588	(7,178,059)	55,410,529
Deferred tax assets	3,432,211	1,799,174	5,231,385

Condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2018

	Before restatement JD	Restated balance JD	Impact JD
Provision for expected credit loss	1,082,500	579,878	1,662,378

(2-4) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and amendments effective as of 1 January 2019:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-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 most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. 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 IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2019 (UNAUDITED)

The effect of adoption IFRS 16 is as follows:

Impact on the interim condensed consolidated statement of financial position
(increase/(decrease)) as at 1 January 2019:

	2019
	JD
	(Unaudited)
Assets	
Right-of-use assets	1,075,780
Other assets	(47,655)
Liabilities	
Lease liabilities	(1,028,125)
Equity	<u><u>-</u></u>

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and Other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

- The Group doesn't have any leases previously classified as finance leases.
- Leases previously accounted for as operating leases

The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

- b) Amounts recognized in the consolidated statement of financial position and consolidated statement of income.

The table below illustrate the book value of the right of use asset and lease liability and the movement for the period ended 30 June 2019:

	Right of use	Lease liability
	JD	JD
As of 1 January 2019	1,075,780	1,028,125
Depreciation	(73,583)	-
Discount accretion	-	28,070
Paid during the period	-	(135,603)
As of 30 June 2019 (Unaudited)	1,002,197	920,592

There is no short-term or low value leases for the period ended 30 June 2019.

- c) Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and 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 its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured 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 terminating 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 expense in the period on 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 the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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 has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 (Financial Instruments) replaces IAS 39 (Financial Instruments: Recognition and Measurement) for annual periods beginning on or after 1 January 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

IFRS 9 (financial instruments) has eliminated the use of the incurred loss approach under IAS 39 (financial instrument: Recognition and measurement) by including a comprehensive model for the recognition and recording of forward looking expected credit loss, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Company's, financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.

No significant impact was resulted on the condensed consolidated financial information for the group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the consolidated financial statements of the Group.

3 CASH AT HAND AND AT BANKS

	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Current accounts at Islamic banks	269,603	1,615,834
Current accounts at commercial banks	876,473	1,035,147
Other financial institutions	-	42,811
Cash on hand	9,207	-
	<u>1,155,283</u>	<u>2,693,792</u>

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4 ACCOUNTS RECEIVABLE FROM FINANCING ACTIVITIES - NET

This item represents accounts receivable derived from deferred sales and granted facilities as shown below:

	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Gross finance receivables	73,885,684	73,222,907
Less: Unrealized revenue on financing contracts	(10,588,564)	(10,634,319)
	63,297,120	62,588,588
Less: Provision for expected credit losses	(18,639,923)	(18,328,886)
Revenue in suspense	(1,588,170)	(1,651,004)
	43,069,027	42,608,698

The details of financing activities after deducting unrealized revenues are as follows:

	Gross accounts receivable as of 30 June 2019 JD (Unaudited)	Unrealized revenues as of 30 June 2019 JD (Unaudited)	Net accounts receivable as of 30 June 2019 JD (Unaudited)	Net accounts receivable as of 31 December 2018 JD (Audited)
Corporates				
Corporates' financing- goods	32,414,436	4,513,198	27,901,238	26,589,453
Corporates' financing-bills of lading	2,528,336	-	2,528,336	1,819,413
Corporates financing- real estate	5,106,397	918,173	4,188,224	4,345,664
	40,049,169	5,431,371	34,617,798	32,754,530
Individuals				
Individual's financing- goods	2,003,210	92,662	1,910,548	1,972,265
Stocks financing	2,785,590	-	2,785,590	2,785,590
Real estate financing	9,352,391	2,257,297	7,095,094	7,386,171
Vehicles and machinery	19,695,324	2,807,234	16,888,090	17,690,032
	33,836,515	5,157,193	28,679,322	29,834,058
	73,885,684	10,588,564	63,297,120	62,588,588

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Provision for expected credit losses

The movement on the provision for expected credit losses is as follows:

	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Balance at the beginning of the period/ year	18,328,886	13,377,080
Expected credit losses model impact - IFRS (9)	-	7,496,559
Beginning balance for the period/ year (adjusted)	18,328,886	20,873,639
Written – off receivables during the period/ year*	-	(5,869,508)
Additions during the period/ year	311,037	3,324,755
Balance at the end of the period/ year	18,639,923	18,328,886

* As per the Board of Directors' decision No. (5) dated on 26 July 2018, JD 5,869,508 has been written-off, although it was fully covered by provision and revenue in suspense.

The movement on the accounts receivable from financing activities during the period is as follows:

	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total JD
<u>For the period ended 30 June 2019 (Unaudited)</u>				
Gross balance at the beginning of the period	27,312,441	10,200,173	35,749,420	73,262,034
New finances during the period	7,857,328	2,565,954	2,101,249	12,524,531
Payments received	(3,089,676)	(415,827)	(519,597)	(4,025,100)
Transferred to stage 1	3,425,247	(241,783)	(3,183,464)	-
Transferred to stage 2	(1,614,013)	1,809,054	(195,041)	-
Transferred to stage 3	(840,378)	(3,221,266)	4,061,644	-
Changes due to modification	(4,856,848)	(1,654,815)	(1,364,118)	(7,875,781)
Gross balance at the end of the period	28,194,101	9,041,490	36,650,093	73,885,684

The movement on the provision for Expected Credit Loss during the period is as follows:

	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total JD
<u>For the period ended 30 June 2019 (Unaudited)</u>				
Gross balance at the beginning of the period	77,962	3,238,572	15,012,353	18,328,887
New finances impairment during the period	152,747	221,167	1,609,372	1,983,286
Recoveries from impaired provision for paid finances	(16,070)	(40,573)	(196,192)	(252,835)
Transferred to stage 1	223,221	(5,114)	(218,107)	-
Transferred to stage 2	-	31,522	(31,522)	-
Transferred to stage 3	-	(1,569,090)	1,569,090	-
Changes due to modifications	(186,718)	(1,027,903)	(204,794)	(1,419,415)
Gross balance at the end of the period	251,142	848,581	17,540,200	18,639,923

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Revenues in suspense

The movement on the revenues in suspense is as follows:

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	1,651,004	2,066,826
Revenue in suspense during the period/ year	403,395	522,999
Revenue in suspense transferred to revenue	(466,229)	(243,002)
Written-off revenue in suspense	-	(695,819)
Balance at the end of the period/ year	1,588,170	1,651,004

The Company follows a policy of dealing with creditworthy parties as well as obtaining adequate collateral whenever possible, in order to mitigate the risk of financial losses arising from defaults of obligations.

Total credit granted to the largest ten customers amounted to JD 15.9 million, representing 42.8% of total performing account receivables from financing activities. Noting that there are guarantees for most of these receivables as of 30 June 2019 (31 December 2018: JD 15 million which is equivalent to 40%).

5 FINANCING ASSETS AT FAIR VALUE THROUGH STATEMENT OF PROFIT OR LOSS

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Quoted shares in Amman Stock Exchange	32,603	52,824

6 FINANCING ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Quoted Shares		
Quoted shares in Amman Stock Exchange	3,724,924	4,412,834
Quoted shares in foreign stock markets	536,412	292,211
	4,261,336	4,705,045
Unquoted shares		
	569,973	599,327
	4,831,309	5,304,372

Shares amounting to JD 2,024,267 (2018: 2,582,554 JD) have been mortgaged for the benefit of Jordan Kuwait Bank against a letter of credit ceiling granted to the Company.

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7 OTHER CURRENT ASSETS

	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Prepaid expense	66,252	66,632
Accrued revenue	151,857	122,117
Refundable deposits	318,707	318,663
Assets seized by the Company against due balances	1,127,891	1,036,060
Deferred notes receivable	15,700	17,700
Other debtors	214,895	121,016
	<u>1,895,302</u>	<u>1,682,188</u>

8 CUSTOMERS' INVESTMENTS ACCOUNTS

This item represents Wakala investments received from customers with a due date of 6 to 36 months to be invested in the Company's activities. The average return paid to the customers range from 3.5% to 6.5% as of 30 June 2019 (31 December 2018 4.25% to 6%).

9 OTHER CURRENT LIABILITIES

	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Vendors payables	287,500	19,000
Accrued expenses	51,135	37,206
Dividends payable	2,064,357	1,176,834
Shareholders contributors -refunds	146,467	146,703
Income tax provision	20,000	22,000
Unearned revenue	976,323	998,319
Wakala investments payable earnings	253,335	280,405
Board of Director's remuneration	22,500	45,000
Mortgage release deposits	101,404	23,899
Other credit balances	24,115	20,330
	<u>3,947,136</u>	<u>2,769,696</u>

10 PAID IN CAPITAL AND RESERVE

Paid in Capital

The Company's paid in capital is JD 35,000,000 divided into 35,000,000 shares as of 30 June 2019 and 31 December 2018.

Statutory Reserve

Represents the transfers from the annual profit during the year and prior years, before income tax at a rate of 10%. This reserve is not available for distribution to the shareholders. The Company did not provide for statutory reserve based on companies law as these are interim financial statements.

Voluntary Reserve

Represents transfers from profit before tax during the year and prior year at a maximum of 20% according to the companies law. This reserve is available for distribution to the shareholders, and might be used in any purposes decided by the Board of Directors.

Proposed and distributed dividends

On 23 April 2019, the General Assembly approved in its ordinary meeting the distribution of 4% of the Company's share capital amounting to JD 1,400,000 of the JD 35,000,000 paid in capital. A distribution of JD 1,400,000 for the previous year based on the ordinary meeting held on 26 April 2018.

11 FAIR VALUE RESERVE

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Beginning balance of period/ year	(683,787)	(335,885)
Net change in fair value after tax for the period/ year	(296,221)	(347,902)
Ending balance of period/ year	(980,008)	(683,787)

12 INCOME TAX PROVISION

A. The details of this item is as follows:

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	272	904,842
Income tax paid	(5,857)	(910,427)
Income tax provision for the period/ year	355,355	5,857
Utilized from deferred tax assets *	(194,604)	-
Balance at the end of the period/ year	155,166	272

* This amount represents the amount of tax on financial assets at fair value through other comprehensive income that is not recorded in the income statement as it is recognized in other comprehensive income and equity.

The Company has reached a final settlement with the Income and Sales Tax Department until the year 2015. Furthermore, the Company has submitted its income tax return for the years 2016, 2017 and 2018 and it has paid the due amounts within the legal period. However, the Income and Sales Tax Department has not yet reviewed the Company's operations for those years yet.

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The Company has also calculated a provision for the income tax for the period ended on 30 June 2019. In the opinion of the Company's management and its tax advisor, the provisions recorded in the financial statement as of 30 June 2019 are sufficient to meet the expected tax liabilities, due to the fact that the written off receivables are acceptable as a deductible tax expense for the year ended 2018.

The income tax expense shown in the condensed interim consolidated statement of income is as follows:

	For the six months ended 30 June	
	2019	2018
	JD	JD
	(Unaudited)	(Unaudited)
Accrued income tax on the period profit	160,751	5,857
Deferred tax assets	194,604	323,342
Income tax expense	355,355	329,199

The details of deferred tax assets are as follows:

	30 June 2019				31 December 2018	
	Beginning balance	Additions	Released/ written-off	Ending balance	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Expected Credit Loss	18,328,886	311,037	-	18,639,923	5,219,178	5,132,089
Written-off receivables	1,006,048	-	(1,006,048)	-	-	281,693
Fair value reserve	914,743	473,062	-	1,387,805	407,799	230,956
	20,249,677	784,099	(1,006,048)	20,027,728	5,626,977	5,644,738

* During the year 2018, the board has approved to write off JD 5,869,508 from the receivables balance, as a Judicial decree was issued against the debtors. Moreover, the management and the tax advisor expect the write off to be tax deductible in full. Therefore, a deferred tax asset has been recognized. Accordingly part of the deferred tax asset has been recognized, and was utilized in 2018 and for the period ended 30 June 2019.

** Deferred tax asset for the fair value reserve is calculated based on 28% on local investments and 10% on foreign investments.

The movement on the deferred tax assets is as follows:

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Beginning balance for the period/ year	5,644,738	3,432,211
IFRS (9) impact on deferred tax	-	1,799,174
Beginning balance for the period/ year (Adjusted)	5,644,738	5,231,385
Additions during the period/ year	263,932	1,775,122
Released during the period/ year	(281,693)	(1,361,769)
Balance at the end of the period/ year	5,626,977	5,644,738

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13 EARNINGS PER SHARE FOR THE PERIOD

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period (JD)	316,972	600,744	1,002,130	438,181
Number of shares (Share)	35,000,000	35,000,000	35,000,000	35,000,000
	JD/ Fils	JD/ Fils	JD/ Fils	JD/ Fils
Basic and diluted earnings per share for the period	0/010	0/020	0/030	0/010

14 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The details for balances and transactions with related parties during the period are as follows:

	Executive Management	Company's Employees	Other Related Parties**	Total
	JD	JD	JD	JD
30 June 2019 (Unaudited)				
Statement of financial position items				
Accounts receivable from financing activities – net*	-	121,623	204,376	325,999
Customers' investments accounts	355,000	9,385	5,670,350	6,034,735
Statement of profit or loss and other comprehensive income				
Revenues from financing activities	-	8,353	8,619	16,972
Share of customers' Investment accounts	6,161	31	160,187	166,379
31 December 2018				
Statement of financial position items				
Accounts receivable from financing activities*	21,476	182,302	190,243	394,021
Customers' investments accounts	355,000	5,500	6,954,350	7,314,850
Statement of profit or loss and other comprehensive income				
Revenues from financing activities	2,551	11,913	22,840	37,304
Share of customers' Investment accounts	12,425	234	365,347	378,006

* After deducting unrealized revenues

** Other parties include companies partially owned by members and relatives of the members of the Board of Directors.

- Interest rate on accounts receivable from financing activities to related parties range from 5.5% to 8%
- The rate of return on the customers' investment accounts ranges from 3.5% to 6%.
- The salaries and other remunerations of Executive Management amounted to JD 185,049 during the six months ended 30 June 2019 (30 June 2018: JD 210,260).

15 FINANCIAL INSTRUMENTS

The financial assets of the Company mainly comprises of cash, bank balances, checks under collection, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and accounts receivable from financing activities. Financial liabilities comprises from customers' investment accounts and other credit balances.

16 CAPITAL MANAGEMENT

The primary objective for the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. The Group did not make any amendments to its goals and policies throughout the year and the prior year.

Capital comprise of paid in capital, statutory reserve, voluntary reserve, fair value reserve and retained earnings amounting to JD 44,579,234 as at 30 June 2019 (31 December 2018: JD 45,273,325).

The following table represents the ratio of liabilities to shareholders' equity as of 30 June 2019 and 31 December 2018:

	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Total liabilities	13,454,940	13,172,440
Shareholders' equity	44,579,234	45,273,325
Ratio of liabilities to shareholders' equity	30.2%	29.1%

17 CONTINGENT LIABILITIES

As of the date of the condensed interim consolidated statement of financial position, the Company was contingently liable for the following:

	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Letters of credit*	-	597,274
Banks guarantees	332,300	332,300
Less: refundable deposits	(303,500)	(303,500)
	28,800	626,074

* This item represents letters of credit ceiling to the benefit of the Company's customers of JD 2.5 million from Jordan Kuwait Bank.

18 LAWSUITS

No lawsuits have been raised against the Company as of 30 June 2019 and 31 December 2018.

The Company has raised several lawsuits against defaulting customers, the total amount of these lawsuits is JD 13,826,211 as of 30 June 2019 (31 December 2018: JD 13,560,627).

19 INFORMATION ON THE COMPANY'S BUSINESS SEGMENT

The Company performs its business through two major activities:

1. Financing activities

Includes following up on customers and granting financing.

2. Investment activities

Includes the investments in different financial instruments.

The following table represents the revenue allocation between these two segments:

	<u>Financing</u>	<u>Investing</u>	<u>Total</u>
	JD	JD	JD
30 June 2019 (Unaudited)			
Gross profit	2,048,915	132,142	2,181,057
Share of customers' investment accounts	(239,551)		(239,551)
Undistributed revenue			638,376
Undistributed expenses			(911,360)
Expected credit loss provision			(311,037)
Profit before tax			1,357,485
Income tax provision			(355,355)
Profit for the period			1,002,130
Other information			
Segment assets	43,069,027	4,863,912	47,932,939
Undistributed assets			10,101,235
Total			58,034,174
Segment liabilities	8,432,046	-	8,432,046
Undistributed liabilities			5,022,894
Total			13,454,940

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The following table represents the revenue allocation between these two segments:

	Financing	Investing	Total
	JD	JD	JD
30 June 2018 (Unaudited)			
Gross profit	3,024,508	242,105	3,266,613
Share of customers' investment accounts	(326,243)	-	(326,243)
Un-distributed revenue			400,592
Un-distributed expenses			(911,204)
Expected credit loss provision			(1,662,378)
Profit before tax			767,380
Income tax expense			(329,199)
Profit for the period			438,181
 Other information			
Segment assets	50,884,035	5,904,243	56,788,278
Undistributed assets			6,067,609
Total			62,855,887
 Segment liabilities	13,406,647	-	13,406,647
Undistributed liabilities			5,044,347
Total			18,450,994

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(20) Fair value Hierarchy

The fair value of financial assets of the Company specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Company are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets (valuation methods and inputs used):

Financial Assets	Fair value		The level of fair value	Valuation method and inputs used	Important intangible inputs	Relation between fair value and Important intangible inputs
	30 June 2019	31 December 2018				
	JD (Unaudited)	JD (Audited)				
Financial assets at fair value through profit or loss:						
Quoted share	32,603	52,824	Level One	Market value	Not applicable	Not applicable
Financial assets at fair value through comprehensive income:						
Quoted share	4,261,336	4,705,045	Level One	Market value	Not applicable	Not applicable
Unquoted share	569,973	599,327	Level Two	Equity method based on the latest audited financial statements	Not applicable	Not applicable
Total financial assets at fair value	4,863,912	5,357,196				