CHINA HUIRONG FINANCIAL HOLDINGS LIMITED
中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

	Six Months Ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	*%*
Operating Results			
Revenue	**195,043**	188,200	3.6
Net revenue	**170,608**	162,759	4.8
Profit attributable to equity holders	**56,036**	76,938	–27.2
Basic earnings per share (RMB)	**0.055**	0.075	–27.2
	As at	As at	
	30 June 2015	31 December 2014	Change
	RMB'000	*RMB'000*	*%*
Financial Position			
Total assets	**2,350,299**	2,380,204	–1.3
Loans to customers	**1,648,970**	1,494,248	10.4
Cash at bank and on hand	**660,024**	855,975	–22.9
Net assets	**1,516,004**	1,500,113	1.1

The board of directors (the "**Board**") of China Huirong Financial Holdings Limited (the "**Company**") hereby announces the interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2015 (the "**Reporting Period**") as follows:

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Unaudited Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Interest income	*7*	**195,043**	188,200
Interest expense	*8*	**(25,642)**	(25,442)
Net interest income		**169,401**	162,758
Other operating income, net	*12*	**1,207**	1
Net revenue		**170,608**	162,759
Administrative expenses	*9*	**(42,007)**	(33,906)
Net charge of impairment allowance on loans to customers	*19(c)*	**(44,702)**	(22,027)
Other gains, net	*11*	**894**	5,618
Profit before income tax		**84,793**	112,444
Income tax expense	*13*	**(28,757)**	(35,506)
Profit for the period, attributable to the equity holders of the Company		**56,036**	76,938
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period, attributable to the equity holders of the Company		**56,036**	76,938
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
— Basic earnings per share	*14*	**0.055**	0.075
— Diluted earnings per share	*14*	**0.052**	0.075

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	**As at 30 June 2015** *RMB'000* **Unaudited**	As at 31 December 2014 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**1,441**	1,715
Intangible asset		**468**	285
Deferred income tax assets	*17*	**21,315**	10,139
		23,224	12,139
Current assets			
Other assets	*18*	**18,081**	17,842
Loans to customers	*19*	**1,648,970**	1,494,248
Cash at bank and on hand	*20*	**660,024**	855,975
		2,327,075	2,368,065
Total assets		**2,350,299**	2,380,204
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital	*21*	**8,111**	8,111
Share premium	*22*	**548,237**	592,720
Other reserves	*22*	**561,051**	556,713
Retained earnings	*15*	**398,605**	342,569
Total equity		**1,516,004**	1,500,113
Liabilities			
Current liabilities			
Other liabilities	*23*	**11,791**	16,228
Current income tax liabilities		**17,071**	21,519
Deferred income tax liabilities	*17*	**4,980**	5,202
Amounts due to related parties	*27(c)*	**1,087**	633
Bank borrowings	*24*	**799,366**	836,509
Total liabilities		**834,295**	880,091
Total equity and liabilities		**2,350,299**	2,380,204
Net current assets		**1,492,780**	1,487,974
Total assets less current liabilities		**1,516,004**	1,500,113

Note:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law (2010 revision) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in lending services through granting collateral-backed pawn loans and entrusted loans to customers in the People's Republic of China (the "**PRC**").

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Group undertook a reorganisation (the "**Reorganisation**") to restructure Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司) ("**Wuzhong Pawnshop**" or the "**PRC Operating Entity**") as a subsidiary of the Company. Wuzhong Pawnshop was operated and ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (the "**Ultimate Shareholders'**').

The Reorganisation involved primarily the insertion of the Company and its other subsidiaries owned by the Ultimate Shareholders, who also owned Wuzhong Pawnshop, as holding companies of Wuzhong Pawnshop. Accordingly, the Reorganisation is accounted for using the accounting principle which is similar to that of a reverse acquisition. The financial statements of the Group have been prepared on a consolidated basis and are presented using the carrying values of the assets, liabilities and operating results of the companies comprising the Group including Wuzhong Pawnshop.

The Company's shares began to list on the Stock Exchange on 28 October 2013. The condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

These condensed consolidated interim financial statements set out on pages 2 to 3 have been approved and authorised for issue by the Board of the Company on 25 August 2015.

These condensed consolidated interim financial statements have been reviewed, not audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of customer demand for the Group's pawn loans and entrusted loans; (b) the collection of loan principal and interest upon maturity; and (c) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in operational performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements. Further information on the Group's borrowings is given in Note 24.

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Other amendments to HKFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management policies since 31 December 2014.

5.1.1 *Credit risk*

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans to customers in the Group's asset portfolio.

(a) *Credit risk mitigation policies*

The Group employs a range of policies and practices to mitigate credit risk. Compared to year end, there was no material change in the credit risk mitigation policies.

(b) *Impairment and provisioning policies*

Compared to year end, there was no material change in the impairment and provisioning policies.

The impairment provision shown in the interim condensed consolidated statements of financial position at period end is derived from each of the four loan categories by collateral type. The majority of the impairment provision is from real estate backed pawn loans, equity interest backed pawn loans and entrusted loans. The table below shows the Group's gross amount of loans to customers and the associated impairment allowances for each of the four loan categories by collateral type:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Loans to customers, gross		
— Real estate backed pawn loans	**918,170**	869,181
— Equity interest backed pawn loans	**501,295**	467,430
— Personal property backed pawn loans	**92,493**	10,960
— Entrusted loans	**221,910**	186,873
	1,733,868	1,534,444
Less: Impairment allowances		
— Real estate backed pawn loan	**(31,382)**	(10,247)
— Equity interest backed pawn loans	**(49,965)**	(26,959)
— Personal property backed pawn loans	**—**	—
— Entrusted loans	**(3,551)**	(2,990)
	(84,898)	(40,196)
	1,648,970	1,494,248

The Group accepted real estate at fair value of approximately RMB1,439,719 thousand as collateral for security as at 30 June 2015 (31 December 2014: RMB1,489,079 thousand).

For the six months ended 30 June 2015, the incurred credit loss on the loans secured by real estate collateral amounted to RMB19,404 thousand (for the six months ended 30 June 2014: Nil) after considering the amount recovered through mortgaged property. Consequently a collectively assessed impairment allowances of RMB11,978 thousand has been provided for real estate backed pawn loans as at 30 June 2015 (30 June 2014: Nil).

Please refer to Note 19 for individually assessed and collectively assessed impairment allowances arising from real estate backed pawn loans, equity interest backed pawn loans and entrusted loans.

Personal property backed pawn loans have less credit exposure as the Group physically takes possession or entrusts an independent third party to take possession of the collateral until loan repayment.

(c) *Maximum exposure to credit risk before collateral held or other credit enhancements*

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Credit risk exposures relating to assets are as follows:		
Other receivables	**11,321**	10,776
Loans to customers	**1,648,970**	1,494,248
Deposit with banks	**658,833**	854,650
	2,319,124	2,359,674

The above table represents a worst case scenario of credit risk exposure to the Group at 30 June 2015 and 31 December 2014, without taking into account of any collateral held for or other credit enhancements attached. The exposures set out above for assets are based on net carrying amounts as reported in the interim condensed consolidated statements of financial position.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loan portfolio. The Group's bank balances are mainly deposited with major commercial banks in the PRC, which management believes are of high credit quality. The Group considers that the risk associated with the bank balances held at major commercial banks is insignificant.

(d) *Loans to customers*

Loans to customers are summarised as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Neither past due nor impaired	**1,119,863**	1,230,672
Past due but not impaired	**525,296**	277,879
Individually impaired	**88,709**	25,893
Gross	**1,733,868**	1,534,444
Less: Impairment allowances *(Note 19)*	**(84,898)**	(40,196)
Net	**1,648,970**	1,494,248

(i) Loans to customers neither past due nor impaired

Loans to customers that are neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Personal property backed pawn loans are included in this category as their repayments can be effected by disposal of forfeited personal property collateral, which normally carries higher values than the carrying amount of the loan. Entrusted loans are also included in this category as none of them is past due or impaired on 30 June 2015 (31 December 2014: same).

(ii) Loans to customers past due but not impaired

Loans that are past due but not impaired relate to the customers which have good borrowing records with the Group. The Directors believe that no impairment allowance is necessary in respect of these balances either because the loans are fully secured by real estate collateral with a reasonably ascertainable market value, or in the case of equity interest backed pawn loans, there has not been a significant change in the customers' credit quality and the balances are considered fully recoverable. Gross amount of loans to customers that were past due but not impaired are analysed by aging as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Real estate backed pawn loans, gross		
Past due up to 1 month	**253,966**	2,709
Past due 1–3 months	**—**	6,779
Past due 4–6 months	**6,696**	16,882
Past due over 6 months	**216,724**	232,871
	477,386	259,241
Equity interest backed pawn loans, gross		
Past due up to 1 month	**38,464**	—
Past due 1–3 months	**9,446**	2,495
Past due 4–6 months	**—**	16,143
	47,910	18,638
Past due but not impaired, total	**525,296**	277,879

The Group accepted real estate collateral at fair value of approximately RMB814,376 thousand for real estate backed pawn loans that were past due but not impaired as at 30 June 2015 (31 December 2014: RMB412,574 thousand).

Upon initial recognition of loans to customers, the fair value of real estate collateral is based on valuation techniques commonly used for the corresponding assets. The fair value is not updated by reference to market price of similar assets in subsequent periods, as maturity dates of loans to customers are all within six months, which is considered a relatively short period.

(iii) Loans to customers individually impaired

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Gross individually impaired loans	**88,709**	25,893
— Real estate backed pawn loan	**38,809**	—
— Equity interest backed pawn loans	**49,900**	25,893
As a percentage of total gross loans	**5.12%**	1.69%
Impairment allowance made in respective of such loans	**61,540**	19,633

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

The Group maintains a comprehensive client base. Loans receivable from the top five customers accounted for 36.0% of the total loans to customers as at 30 June 2015 (31 December 2014: 25.1%). Interest income from the top five customers accounted for 37.3% of total interest income for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 35.4%).

5.1.2 ***Market risk***

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. The Group's exposure to market risk is primarily attributable interest rate risk arising from loans to customers, bank balances and bank borrowings. Compared to year end, there was no material change to the Group's policies and procedures for monitoring and managing market risk.

(a) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The most significant interest-bearing assets and liabilities are loans to customers and bank borrowings, which both bear fixed interest rates to generate cash flows independent from market interest rates. Contractual interest rate re-pricing is matched with maturity date of each loan granted to customer, or maturity date of bank borrowings. As at respective balance sheet dates, maturity dates of pawn loans to customers are all within six months, whilst maturity dates of entrusted loans and bank borrowings are all within 12 months. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of loans to customers, bank borrowings and interest bearing bank deposits and related party balances.

Based on the simulations performed and with other variables held constant, should the benchmark interest rate have been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB7,333 thousand for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB3,914 thousand), mainly as a result of higher/lower interest expense on fixed-rate bank borrowings arising from interest rate repricing.

Interest rates on interest-bearing financial assets, primarily loans to customers, are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

(b) *Foreign exchange risk*

The Group operates principally in the PRC. The majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

As at 30 June 2015, other than deposits with banks denominated in US dollar and Hong Kong dollar totalling RMB566,460 thousand (31 December 2014: RMB600,407 thousand), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should the US dollar have had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB5,656 thousand lower/higher for the six months ended 30 June 2015 (for the six months ended 30 June 2014: higher/lower RMB5,927 thousand), mainly as a result of foreign exchange losses/gains on translation of US dollar and Hong Kong dollar denominated balances.

5.1.3 ***Liquidity risk***

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments. Such outflows would deplete available cash resources for customer lending. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets.

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Repayable on demand or within 1 month *RMB'000*	1–6 months *RMB'000*	6–12 months *RMB'000*	Total *RMB'000*
Unaudited				
As at 30 June 2015				
Bank borrowings	—	708,703	112,846	821,549
Amounts due to related parties	1,087	—	—	1,087
Other financial liabilities	705	—	—	705
Total financial liabilities	1,792	708,703	112,846	823,341
Audited				
As at 31 December 2014				
Bank borrowings	48,232	336,289	484,270	868,791
Amounts due to related parties	633	—	—	633
Other financial liabilities	2,458	—	—	2,458
Total financial liabilities	51,323	336,289	484,270	871,882

Sources of liquidity are regularly reviewed by the finance department of the Group to ensure the availability of sufficient liquid funds to meet all obligations.

5.2 Fair value of financial assets and liabilities

The Group's financial assets and liabilities are categorised as "loans and receivables" and "other financial liabilities" respectively, which are stated at amortised cost. As the Group's financial assets and liabilities mature within one year, the carrying amounts approximate to their fair value at each balance sheet date.

6 SEGMENT INFORMATION

Following the management approach of HKFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board (the chief operating decision-maker) which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group's operation is primarily located in the PRC and conducted under one legal entity. The principal business activity is to grant pawn loans secured by collateral and entrusted loans guaranteed by a third party to customers, mainly small and medium sized enterprises and individuals in the Greater Suzhou Area (Suzhou city and the four county-level cities that are governed by the Suzhou city government, namely, Changshu, Kunshan, Taicang and Zhangjiagang). The Group managed its business under one operating and reportable segment in accordance with the definition of a reportable segment under HKFRS 8 for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Same).

7 INTEREST INCOME

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest income from loans to customers		
Real estate backed pawn loans	**98,256**	90,883
Equity interest backed pawn loans	**70,713**	63,352
Entrusted loans	**12,697**	7,856
Personal property backed pawn loans	**4,863**	15,105
Interest income from bank deposits	**8,514**	11,004
	195,043	188,200

Interest income from loans to customers represents all fees received from customers that are an integral part of the effective interest rate, including interest income and administration fee income.

8 INTEREST EXPENSE

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**25,642**	25,442

9 ADMINISTRATIVE EXPENSES

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Employee benefit expenses *(Note10)*	**16,338**	10,226
Turnover tax and surcharges	**11,048**	10,450
Value-added tax and surcharges	**5,238**	4,880
Transportation, meal and accommodation	**2,515**	1,305
Auditors' remuneration	**1,500**	500
Operating lease payments	**1,374**	1,184
Professional and consultancy fees	**1,291**	2,855
Telephone, utilities and office expenses	**1,046**	494
Depreciation and amortisation	**518**	632
Advertising costs	**461**	10
Other costs	**678**	1,370
	42,007	33,906

The Group's loan business is subject to business tax and surcharges. Business tax is levied at 5% of revenue from interest income on loans to customers, while surcharges are 12% of business tax payable. Other PRC subsidiaries of the Group are subject to value-added tax and surcharges. Under the Exclusive Management and Consultation Service Agreement, Wuzhong Pawnshop has engaged Suzhou Huifang Tongda Information Technology Co. Ltd. ("**Huifang Tongda**") on an exclusive basis to provide consultation and other ancillary services. Such consultancy service fee income is subject to output value-added tax at 6% while surcharges are 12% of value-added tax payable.

10 EMPLOYEE BENEFIT EXPENSES

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Wages and salaries	**8,811**	6,770
Share-based payments *(Note 22(b))*	**4,338**	456
Discretionary bonuses	**1,744**	1,615
Other social security obligations	**814**	765
Pension	**631**	620
	16,338	10,226

11 OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**542**	180
Net foreign currency gains	**352**	5,438
	894	5,618

12 OTHER OPERATING INCOME, NET

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Net gains from disposal of repossessed assets	**835**	1
Consultancy fee income — Suzhou Qian Dai	**372**	—
	1,207	1

The Group launched Suzhou Qian Dai (蘇州錢袋), an internet finance platform, in February 2015, to act as a middle man between borrowers and lenders to earn a consultancy fee income. Suzhou Qian Dai (蘇州錢袋) charges a fixed consultancy fee at rates ranging from 1.7% to 5% per annum to the borrowers.

13 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current income tax	**39,933**	35,467
Deferred income tax	**(11,176)**	39
	28,757	35,506

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

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit before income tax	**84,793**	112,444
Tax calculated at statutory tax rates	**22,222**	29,132
Tax effect of:		
— Expenses not deductible for tax purposes	**1,145**	480
— Adjustment in respect of prior years	**410**	712
— PRC withholding tax	**4,980**	5,182
Tax charge	**28,757**	35,506

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

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

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 16.5%).

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

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to the immediate holding company incorporated outside Mainland China from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group accrued for PRC withholding tax with amount of RMB4,980 thousand based on the tax rate of 10% on a portion of the earnings generated by certain PRC entities for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB5,182 thousand). The Group controls the dividend policies of these subsidiaries and it has been determined that a majority of these earnings will probably not be distributed in the foreseeable future.

14 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for each of the period is calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2014 and 2015.

	Unaudited	
	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**56,036**	76,938
Weighted average number of ordinary shares in issue (in thousands)	**1,025,237**	1,025,237
Basic earnings per share (RMB)	**0.055**	0.075

(b) Dilutive earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options under share-based payment scheme (Note 22(b)). For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Unaudited	
	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**56,036**	76,938
Weighted average number of ordinary shares in issue (in thousands)	**1,025,237**	1,025,237
Adjustment for:		
— Share options (in thousands)	**48,085**	—
	1,073,322	1,025,237
Weighted average dilutive earnings per share of ordinary shares in issue (RMB)	**0.052**	0.075

15 PROFIT DISTRIBUTION

A dividend in respect of the year ended 31 December 2014 of HK$0.055 per ordinary share was declared at the annual general meeting ("**AGM**") of the Company held on 28 May 2015. It was determined that such dividend should be paid out of the share premium account. Based on the total number of ordinary shares of 1,025,237 thousand outstanding on 28 May 2015, a total dividend of HK$56,388 thousand (equivalent to approximately RMB44,483 thousand) was paid out by the Company on 30 June 2015 (for the six months ended 30 June 2014: No dividends were declared or paid by any of the companies comprising the Group).

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000*	**Furniture & equipment** *RMB'000*	**Total** *RMB'000*
Unaudited			
Six months ended 30 June 2015			
Net book value			
Opening amount as at 1 January 2015	1,203	512	1,715
Additions	65	152	217
Depreciation	(345)	(146)	(491)
Closing amount as at 30 June 2015	923	518	1,441
Unaudited			
Six months ended 30 June 2014			
Net book value			
Opening amount as at 1 January 2014	1,784	782	2,566
Additions	206	68	274
Depreciation	(415)	(199)	(614)
Closing amount as at 30 June 2014	1,575	651	2,226

The Group's depreciation charges of property, plant and equipment have all been included in administrative expenses for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Same).

17 DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities for the six months ended 30 June 2014 and 2015, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Tax on impairment charge on loans to customers *RMB'000*	**Recoverable tax losses** *RMB'000*	**Total** *RMB'000*
Deferred income tax assets			
Unaudited			
Opening balance at 1 January 2015	10,049	90	10,139
Credited to the consolidated statements of comprehensive income	11,176	—	11,176
Ending balance at 30 June 2015	21,225	90	21,315
Unaudited			
Opening balance 1 January 2014	1,069	652	1,721
Credited to the consolidated statements of comprehensive income	5,507	(364)	5,143
Ending balance at 30 June 2014	6,576	288	6,864

	Withholding tax *(Note13)* *RMB'000*	**Total** *RMB'000*
Deferred income tax liabilities		
Unaudited		
Opening balance at 1 January 2015	5,202	5,202
Credited to the consolidated statements of comprehensive income	(222)	(222)
Ending balance at 30 June 2015	4,980	4,980
Unaudited		
Opening balance at 1 January 2014	—	—
Credited to the consolidated statements of comprehensive income	5,182	5,182
Ending balance at 30 June 2014	5,182	5,182

As at 30 June 2015, deferred income tax liabilities of RMB4,980 thousand have been recognised for the PRC withholding tax which would be paid upon remittance, in respect of a portion of unremitted distributable profits of certain PRC subsidiaries attributable to the investors outside PRC (30 June 2014: RMB5,182 thousand).

18 OTHER ASSETS

	30 June 2015 *RMB'000* Unaudited	31 December 2014 *RMB'000* Audited
Interest receivables from bank deposits	**7,026**	6,964
Repossessed assets		
— Personal properties	**6,760**	7,066
Other receivables	**4,295**	3,812
	18,081	17,842

19 LOANS TO CUSTOMERS

	30 June 2015 *RMB'000* Unaudited	31 December 2014 *RMB'000* Audited
Loans to customers, gross		
Real estate backed pawn loans	**918,170**	869,181
Equity interest backed pawn loans	**501,295**	467,430
Personal property backed pawn loans	**92,493**	10,960
Entrusted loans	**221,910**	186,873
	1,733,868	1,534,444
Less: Impairment allowances		
— Individually assessed	**(61,540)**	(19,633)
— Collectively assessed	**(23,358)**	(20,563)
	(84,898)	(40,196)
Loans to customers, net	**1,648,970**	1,494,248

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are within six months. The real estate backed and equity interest backed pawn loans provided to customers bear fixed interest rates ranging from 19.20% to 37.99% per annum for the six months ended 30 June 2015 (for the six months ended 30 June 2014: from 22.37% to 37.99%).

Entrusted loans periods granted to customers are all within one year. Customers bear a fixed interest rate of 12% per annum for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 12%).

Loans to customers are all denominated in RMB. The impairment allowances are all related to equity interest backed pawn loans, real estate backed pawn loans and entrusted loans (Note 5.1.1(b)).

As at 30 June 2015, renewed loans amounted to RMB70,780 thousand, comprising real estate backed pawn loans of RMB64,480 thousand and an equity interest backed pawn loan of RMB6,300 thousand (31 December 2014 renewed loans amounted to RMB9,700 thousand, all are real estate backed pawn loans). No renewed loans had substantially modified their original contractual terms for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Same).

(a) Aging analysis of loans to customers

The aging analysis of loans to customers net of impairment allowances are set out below:

	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 3 months	**682,532**	1,131,098
3–6 months	**343,679**	83,718
6–12 months	**379,466**	103,624
12–24 months	**174,365**	123,853
Over 24 months	**68,928**	51,955
	1,648,970	1,494,248

(b) Reconciliation of allowance account for losses on loans to customers

	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	Unaudited	Audited
Individually assessed		
At beginning of period	**19,633**	74
Impairment losses recognised	**41,907**	19,559
At end of period	**61,540**	19,633
Collectively assessed		
At beginning of period	**20,563**	4,203
Impairment losses recognised	**2,795**	16,360
At end of period	**23,358**	20,563

(c) Net charge on loans to customers

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Net charge of impairment allowance		
Individually assessed	**41,907**	15,905
Collectively assessed	**2,795**	6,122
	44,702	22,027

20 CASH AT BANK AND ON HAND

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Cash on hand	**1,191**	1,325
Demand deposits with banks	**93,127**	185,034
Term deposits with banks with original maturities over 3 months	**565,706**	669,616
	660,024	855,975

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
RMB	**93,564**	255,567
US dollar	**565,961**	599,613
Hong Kong dollar	**499**	795
	660,024	855,975

As at 30 June 2015, restricted term deposits of US$47,371 thousand (31 December 2014: US$10,237 thousand), which is equivalent to RMB290,071 thousand (31 December 2014: equivalent to RMB62,641 thousand), were pledged with banks to secure bank borrowings with principal amount of RMB248,000 thousand (31 December 2014: RMB55,000 thousand) (Note 24).

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

	30 June 2015 *RMB'000* **Unaudited**	31 December 2014 *RMB'000* Audited
Cash at bank and on hand	**660,024**	855,975
Less: Term deposits with banks with original maturities over 3 months	**(275,635)**	(606,975)
Restricted term deposits pledged to banks	**(290,071)**	(62,641)
	94,318	186,359

21 SHARE CAPITAL

	Number of shares	**Ordinary shares** *HK$*	**Ordinary shares** *RMB*
Authorised:			
As at 30 June 2015 and 31 December 2014	10,000,000,000	100,000,000	
Issued and fully paid:			
Unaudited			
As at 30 June 2015 and 31 December 2014	1,025,237,000	10,252,370	8,111,008
Unaudited			
As at 30 June 2014 and 31 December 2013	1,025,237,000	10,252,370	8,111,008

22 OTHER RESERVES

	Share premium	Other reserves: Capital reserve	Statutory reserve	Share-based payments reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited					
At 1 January 2015	592,720	500,000	51,942	4,771	1,149,433
Share-based payments *(b)*	—	—	—	4,338	4,338
Distribution of dividend relating to 2014 *(Note 15)*	(44,483)	—	—	—	(44,483)
At 30 June 2015	548,237	500,000	51,942	9,109	1,109,288
Audited					
At 1 January 2014 and 30 June 2014	592,720	500,000	34,365	—	1,127,085
Appropriation to statutory reserves *(a)*	—	—	17,577	—	17,577
Value of employee services *(b)*	—	—	—	4,771	4,771
At 31 December 2014	592,720	500,000	51,942	4,771	1,149,433

(a) Statutory reserves

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

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

The shareholders of the Company has adopted a share option scheme on 26 May 2014 to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Company granted 50,000,000 share options to eligible participants on 16 June 2014 under the share option scheme with an exercise price of HK$1.4 per share. Options are conditional on the employee completing two years' service (the vesting period). The options become exercisable starting two years from the grant date, subject to the Group achieving 80% or above of its targeted earnings for profit attributable to equity holders of the Company; the options have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(b) Share-based payments — value of employee services (Continued)

	2015	
	Exercise price per share ***(HK$)***	**Number of shares** ***(in thousand)***
At 1 January 2015	**1.4**	**50,000**
Number granted	**—**	**—**
At 30 June 2015	**1.4**	**50,000**

	2014	
	Exercise price per share *(HK$)*	Number of shares *(in thousand)*
At 1 January 2014	—	—
Number granted	1.4	50,000
At 30 June 2014	1.4	50,000

Share options outstanding at the end of the period will vest on 16 June 2016.

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was HK$0.44 per option. The significant inputs into the model were weighted average share price of HK$1.40 at the grant date, exercise price shown above, volatility of 48.26%, dividend yield of 20.89%, an expected option life of five years, and an annual risk-free interest rate of 1.36%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices from the listing date. No options have been granted from 1 January 2015 to 30 June 2015. Employee benefit expense of RMB4,338 thousand was recognised for share options granted to directors and employees for the period ended 30 June 2015 (for the six months ended 30 June 2014: RMB456 thousand).

23 OTHER LIABILITIES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Accrued employee benefits	**7,497**	10,012
Turnover tax and other tax payable	**3,384**	3,805
Accrued expenses	**205**	205
Other financial liabilities	**705**	2,206
	11,791	16,228

As at 30 June 2015, the Group's other financial liabilities were non-interest bearing. The fair value approximates their carrying amounts due to their short maturities (31 December 2014: Same).

24 BANK BORROWINGS

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Bank borrowings — principal	**798,000**	835,000
Bank borrowings — interest payable	**1,366**	1,509
	799,366	836,509

Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 5.60% to 7.28% per annum in the year ended 31 December 2015 (for the six months ended 30 June 2014: 5.70% to 7.80%).

As at 30 June 2015, restricted term deposits of US$47,371 thousand (31 December 2014: US$10,237 thousand), which is equivalent to RMB290,071 thousand (31 December 2014: RMB62,641 thousand), were pledged with banks to secure bank borrowings with principal amount of RMB248,000 thousand (31 December 2014: RMB55,000 thousand) (Note 20).

As at 30 June 2015, bank borrowings with principal amount of RMB370 million were guaranteed by Jiangsu Wuzhong Jiaye Group Co., Ltd. ("**Wuzhong Jiaye**") and the Ultimate Shareholders (31 December 2014: Same). As at 30 June 2015, bank borrowings with principal amount of RMB60 million are guaranteed by Jiangsu Wuzhong Group Co., Ltd. ("**Wuzhong Group**") (31 December 2014: Nil).

The fair values of bank borrowings approximate their carrying amounts as the discounting impact is not significant.

The Group's borrowings are denominated in RMB.

As at 30 June 2015, the Group had no undrawn borrowing facilities (31 December 2014: Same).

25 CONTINGENCIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Same).

26 COMMITMENTS

(a) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
No later than 1 year	**2,513**	1,590
Later than 1 year and no later than 5 years	**2,875**	1,593
	5,388	3,183

27 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions of the Group. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member are also considered as related parties.

(a) Name and relationship with related parties:

Names of related parties	**Nature of relationship**
Wuzhong Jiaye	Direct equity holder of Wuzhong Pawnshop
Wuzhong Group	Controlling shareholder of Wuzhong Jiaye before Reorganisation
Jiangsu Wuzhong Real Estate Group Co., Ltd. (江蘇吳中地產集團有限公司) ("**Wuzhong Real Estate**")	A related party controlled by Wuzhong Group
Wuzhong America Services for Cultural Education and Communication Ltd	A related party controlled by Wuzhong Group
BVI companies wholly owned by each of the Ultimate Shareholders ("**BVI entities owned by the Ultimate Shareholders**")	Related parties controlled by each of the Ultimate shareholders

(b) Significant transactions with related parties

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Office rental paid to Wuzhong Real Estate by the Group	**220**	117
Bank borrowings guaranteed by Wuzhong Jiaye and Ultimate Shareholders (in principal amount at period-end) *(Note 24)*	**370,000**	370,000
Bank borrowings guaranteed by Wuzhong Group (in principal amount at period-end) *(Note 24)*	**60,000**	—

(c) Balances with related parties

	30 June	**31 December**
	2015	**2014**
	RMB'000	*RMB'000*
	Unaudited	Audited
Amounts due from related parties		
Due to BVI entities owned by the Ultimate Shareholders	**633**	633
House rental due to Wuzhong Real Estate	**454**	—
	1,087	633

Balances with related parties were interest-free.

(d) Key management compensation

Key management comprises executive directors, the vice president, the assistant to the president and Board Secretary. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Basic salaries	**1,293**	1,206
Discretionary bonuses	**977**	624
Pension and other social security obligations	**256**	194
Share-based payments	**1,527**	183
	4,053	2,207

28 EVENT AFTER THE BALANCE SHEET DATE

On 30 March 2015, the Board announced a potential acquisition of 40% of the equity interests in Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. from Wuzhong Jiaye for a cash consideration of RMB126,414,800 (equivalent to approximately HK$158,018,500). The transaction was approved on the extraordinary general meeting convened by the Company on 28 May 2015 and completed on 1 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND DEVELOPMENT

Our principal activity is to grant pawn loans secured by real estate, equity interest or personal property collateral, and entrusted loans. During the six months ended 30 June 2015, we also launched a new online P2P lending business.

1.1 Pawn Loans

On 8 April and 21 April 2015, respectively, we successively established Nanjing Branch of Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司南京分公司) and Nantong Branch of Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司南通分公司), to expand our business to regions outside Suzhou.

The following table sets out the details of new loans and renewed loans secured by real estate collateral, equity interest collateral and personal property collateral we granted during the indicated periods:

	Pawn loans Six months ended 30 June	
	2015	2014
Total new loan amount granted (RMB in millions)	**1,590**	1,599
Total number of new loans granted	**96**	120
Total loan amount renewed (RMB in millions)	**71**	207
Total number of loans renewed	**7**	7
Average loan repayment period (days)	**25**	97

For the six months ended 30 June 2015, new loans secured by real estate collateral, equity interest collateral and personal property collateral we granted were comparable to the same period of last year; renewed loans dropped sharply.

For the six months ended 30 June 2015, the average repayment period for loans secured by real estate collateral, equity interest collateral and personal property collateral decreased from 97 days over the same period of last year to 25 days for the Reporting Period because our Group focused on the provision of financing secured by person property collateral with a short cycle and fast recovery.

1.2 Entrusted loans

According to the Contractual Arrangements between the PRC Operating Entity and Huifang Tongda, Huifang Tongda charges the exclusive management and consultation service fees on the PRC Operating Entity. To improve its capital efficiency, Huifang Tongda provides entrusted loans business to its customers. The following table sets out the details of the entrusted loans we granted during the indicated periods:

	Entrusted loans Six months ended 30 June	
	2015	2014
Total new loan amount granted (RMB in millions)	**150**	154
Total number of new loans granted	**6**	3

For the six months ended 30 June 2015, entrusted loans we granted were comparable to the same period of last year.

1.3 Online P2P lending business

As part of the Group's commitment to diversifying its business and expanding its income stream, the Group officially launched an online "peer-to-peer" lending ("**P2P Lending**") platform on 8 January 2015, Suzhou Qian Dai (*www.suzhoumoney.com*). This provides a different channel of lending which complements the traditional short-term collateral-backed loan business of the Group. Through its P2P Lending service, the Group provides an online platform for third parties with funding needs (the "**Relevant Borrowers**") to advertise their funding requirements, and for interested third parties willing to take on the relevant risks (the "**Relevant Lenders**") to provide funding. Before a Relevant Borrower is allowed to advertise its funding needs on the online platform operated by the Group, it is required to pass certain risk assessments established by the platform, including credit check, and provide guarantee on loan repayment, including providing appropriate pledge and collateral for the loan. Any funds raised from the Relevant Lenders, and the distribution/collection of monies to/from the Relevant Borrowers are managed by a third party custodian independent from the Group. The Group earns a commission through the provision of such P2P Lending platform.

The following table sets out the details of lending business on the online P2P Lending platform during the indicated periods:

	Lending business on the online P2P Lending platform Six months ended 30 June	
	2015	2014
Total lending business amount (RMB in millions)	**36**	—
Total number of lending business	**18**	—

The Group completed the acquisition of the equity interests in a microfinance company known as Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. in July 2015. For details of the acquisition, please refer to the announcement of the Company dated 30 March 2015.

2. FINANCIAL REVIEW

For the six months ended 30 June 2015, profit attributable to equity holders was RMB56,036 thousand, a decrease of 27.2% as compared with the RMB76,938 thousand over same period of last year.

The decline in profit was mainly due to a decrease in interest expenses incurred by loans granted arising from the lower overall interest rate during the six months ended on 30 June 2015, and the significant increase in net charge of impairment allowances.

For small and medium-sized enterprises, which are our major customers, the pressures of slower growth, slower turnover and upgrading and restructuring further affect their abilities to continue as a going concern and to make repayment. Suzhou Wuzhong Pawnshop Co., Ltd., the PRC Operating Entity of the Group, is mainly engaged in provision of loans which are primarily secured by real estate collateral in Suzhou. Therefore, the fluctuations in the real estate market of Suzhou will have significant impact on the Company's operation. For the six months ended 30 June 2015, there was a substantial difference between trading prices of a few second-hand real estate and market assessment prices. For the six months ended 30 June 2015, net charge of impairment allowance significantly increased mainly because additional impairment allowances were required to adequately reflect the Group's market risk and credit risk exposure in light of changes in the operating environment.

The financial review for the six months ended 30 June 2015 is summarised as follows:

2.1 Interest and handling fee income, interest costs and net interest margin

Interest and handling fee income:

(i) *Interest income:* For the six months ended 30 June 2015, our interest income increased by 3.6% from the same period of last year to RMB195,043 thousand, mainly attributable to the growth in loans granted to customers.

For the six months ended 30 June 2015, interest income from the top five customers accounted for 37.3% of total interest income (35.4% for the same period of last year).

(ii) *Handling fee income:* For the six months ended 30 June 2015, handling fee income earned by the Group through the online P2P Lending platform was RMB372 thousand (Nil for the same period of last year).

Interest costs: For the six months ended 30 June 2015, interest costs were RMB25,642 thousand, in line with the same period of last year (RMB25,442 thousand for the same period of last year).

Net interest margin: Net interest margin equals net interest income divided by the average of the beginning and the June-ending balances of interest earning assets, which equals the sum of the balances of loans to customers and deposits with banks. Net interest margin (not annualized) was 7.3% for the six months ended 30 June 2015 (7.7% for the same period of last year).

The decrease in net interest margin was due to ample liquidity, leading to a decrease of the interest rate in the market. We expect that the decreased interest rate may become a new "normal".

2.2 Administrative expenses

The administrative expenses for the six months ended 30 June 2015 amounted to RMB42,007 thousand, an increase of RMB8,101 thousand or 23.9% from that of the same period of last year.

The ratio of administrative expenses to net revenue was 24.6% for the six months ended 30 June 2015, as compared with 20.8% for the same period of last year.

For the six months ended 30 June 2015, administrative expenses increased by RMB8,101 thousand as compared with that of the same period of last year, mainly due to an increase of employee remuneration and benefits of RMB6,112 thousand over the same period of last year.

For the six months ended 30 June 2015, employee remuneration and benefits increased by RMB6,112 thousand, mainly due to RMB4,338 thousand recognised in respect of the share option scheme with regard to employee remuneration and benefits. The employee remuneration and benefits recognised in respect of the share option scheme did not lead to a cash outflow from the Group, and were recorded as the Group's capital reserves upon recognition of the employee benefit expenses without any effect on the Group's total equity.

2.3 Net charge of impairment allowance

For the six months ended 30 June 2015, net charge of impairment allowance was RMB44,702 thousand (RMB22,027 thousand for the same period of last year), comprised of individually assessed impairment allowance of RMB41,907 thousand and collectively assessed impairment allowance of RMB2,795 thousand.

Net charge of impairment allowance for the six months ended 30 June 2015 significantly increased mainly because additional impairment allowances were required to adequately reflect the Group's market risk and credit risk exposure in light of changes in the operating environment.

2.4 Income Tax Expenses

For the six months ended 30 June 2015, the income tax expenses amounted to RMB28,757 thousand, a decrease of 19.0% as compared with that of the same period of last year.

The income tax expenses included withholding tax of RMB4,980 thousand (RMB5,182 thousand for the same period of last year). Pursuant to the CIT Law, the dividends declared by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China are subject to a 10% withholding tax when remitted abroad. Even though such expenses would not give rise to a present tax obligation of the Group before remitting the dividend abroad, the Group accrued such income tax expenses based on its best estimate.

Excluding the effect of withholding tax, the effective tax rate for the six months ended 30 June 2015 was 28.0% as compared with 27.0% for the same period of last year.

2.5 Profit attributable to equity holders

For the six months ended 30 June 2015, profit attributable to equity holders was RMB56,036 thousand, representing a decrease of 27.2% over the same period of last year.

3. LOANS TO CUSTOMERS

3.1 Loan portfolio

The table below sets out the details of loans we granted to customers as of the dates indicated:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)	Increase %
Gross loans to customers, inclusive of principal and interest (RMB'000)			
Loans secured by real estate collateral	**918,170**	869,181	5.6%
Loans secured by equity interest collateral	**501,295**	467,430	7.2%
Loans secured by personal property collateral	**92,493**	10,960	743.9%
Entrusted loans	**221,910**	186,873	18.7%
Total	**1,733,868**	1,534,444	13.0%
Number of loans outstanding			
Loans secured by real estate collateral	**70**	78	
Loans secured by equity interest collateral	**42**	42	
Loans secured by personal property collateral	**805**	850	
Entrusted loans	**7**	5	
Total	**924**	975	
Average loan amount (RMB'000)			
Loans secured by real estate collateral	**13,117**	11,143	
Loans secured by equity interest collateral	**11,936**	11,129	
Loans secured by personal property collateral	**115**	11	
Entrusted loans	**31,701**	37,375	

As of 30 June 2015, the balance of loans we granted to customers amounted to RMB1,733,868 thousand, up 13.0% as compared with that of 31 December 2014. Loans secured by personal property collateral increased by 743.9% due to our expansion of pawn loans business secured by substantial inventory.

3.2 Loan classification and impairment allowances

The table below sets out the details of the classification of loans we granted to customers as of the dates indicated:

	As at 30 June 2015		As at 31 December 2014	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
	(Unaudited)		(Audited)	
Neither past due nor impaired	**1,119,863**	**64.6%**	1,230,672	80.2%
Past due but not impaired *(i)*	**525,296**	**30.3%**	277,879	18.1%
Individually impaired *(ii)*	**88,709**	**5.1%**	25,893	1.7%
Gross	**1,733,868**	**100.0%**	1,534,444	100.0%
Less: Impairment allowance *(iii)*	**(84,898)**	**4.9%**	(40,196)	2.6%
Net	**1,648,970**	**—**	1,494,248	—

(i) The increased percentage of loans that are past due but not impaired was due to slower repayment of capital of some customers.

As at 30 June 2015, loans that were past due but not impaired amounted to RMB525,296 thousand, including loans secured by real estate collateral of RMB477,386 thousand, representing 90.9%, and loans secured by equity interest collateral of RMB47,910 thousand, representing 9.1%. The loans are either fully secured by real estate collateral with a reasonably ascertainable market value, or in the case of equity interest backed pawn loans, there has not been a significant change in the customers' credit quality and the balances are considered fully recoverable.

(ii) Loans to customers which were individually impaired as at 30 June 2015 amounted to RMB88,709 thousand, with an estimated loss of RMB61,540 thousand.

(iii) In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 30 June 2015, the impairment allowance for loans secured by real estate collateral, loans secured by equity interest collateral and entrusted loans amounted to RMB84,898 thousand, representing 4.9% of the outstanding loans granted to customers (before provision).

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

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Loans secured by real estate collateral	**(31,382)**	(10,247)
Loans secured by equity interest collateral	**(49,965)**	(26,959)
Loans secured by personal property collateral	**—**	—
Entrusted loans	**(3,551)**	(2,990)
	(84,898)	(40,196)

3.3 Loans under legal proceedings

As at 30 June 2015, among the loans to customers that were past due but not impaired, eighteen loans secured by real estate collateral amounting to RMB123,676 thousand were currently under legal proceedings. No loss was expected to be incurred on such loans. Among the loans that were individually impaired, three loans secured by real estate collateral amounting to RMB24,132 thousand were currently under legal proceedings. Individually assessed impairment allowance of RMB12,066 thousand was provided on such loans. Among the loans that were individually impaired, four loans secured by equity interest collateral amounting to RMB28,422 thousand were currently under legal proceedings. Individually assessed impairment allowance was fully provided on such loans.

As at 31 December 2014, among the loans to customers that were past due but not impaired, nine loans secured by real estate collateral amounting to RMB65,632 thousand were currently under legal proceedings. No loss was expected to be incurred on such loans. Among the loans that were individually impaired, one loan secured by equity interest collateral amounting to RMB10,434 thousand was currently under legal proceedings. Individually assessed impairment allowance of RMB4,174 thousand was provided on such loans.

4. CREDIT RISK MANAGEMENT

According to our internal policy, the principal amount of a loan we grant to a loan applicant is individually negotiated with the applicant but the appraised loan-to-value ratio of the loan is capped at 70% for real estate collateral and 50% for equity interest collateral . The following table sets forth a breakdown by collateral type of (i) aggregate loan amount; (ii) appraised value of collateral at time of loan approval; and (iii) the weighted average appraised loan-to-value ratio as of the granting dates of loans outstanding as of the indicated date:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Aggregate loan amount (RMB in millions)		
Real estate collateral	**918.2**	869.2
Equity interest collateral	**501.3**	467.4
Appraised value of collateral at time of loan approval (RMB in millions)		
Real estate collateral	**1,521.3**	1,491.7
Equity interest collateral	**2,215.7**	2,215.3
Range of appraised loan-to-value ratios		
Real estate collateral	**3.9%–70%**	24%–70%
Equity interest collateral	**3.3%–50%**	4%–46%
Weighted average appraised loan-to-value ratio		
Real estate collateral	**58%**	57%
Equity interest collateral	**29%**	27%

5. TOTAL EQUITY AND CAPITAL MANAGEMENT

5.1 Total Equity

The total equity as at 30 June 2015 was RMB1,516,004 thousand, representing an increase of RMB15,891 thousand or 1.1% as compared with that as at 31 December 2014.

The increase was due to the fact that: (i) the profit attributable to equity holders for the six months ended 30 June 2015 amounted to RMB56,036 thousand, and (ii) the Group recognised the total employee benefit expenses amounting to RMB4,338 thousand for the share option scheme as the Group's other reserves since such expenses did not result in cash outflow from the Group.

The item decreased was the payment of final dividends for 2014 of RMB44,483 thousand.

5.2 Gearing ratio management

We monitor capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents bank borrowings less cash and cash equivalents. Total equity represents total equity as stated in the consolidated statement of financial position. Total capital is the sum of net debt and total equity.

Our gearing ratio as at 30 June 2015 was 31.7%, as compared with 30.2% as at 31 December 2014.

6. BANK BORROWINGS AND PLEDGE OF ASSETS

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank borrowings — principal	**798,000**	835,000
Bank borrowings — interest payable	**1,366**	1,509
	799,366	836,509

Bank borrowings are due within one year. For the six months ended 30 June 2015, bank borrowings bear fixed interest rates ranging from 5.60% to 7.28% per annum, as compared with 5.70% to 7.80% per annum for the six months ended 30 June 2014.

As at 30 June 2015, bank borrowings with principal amount of RMB248,000 thousand were secured by the Group's restricted term deposits of US$47,371 thousand (equivalent to RMB290,071 thousand) (31 December 2014: bank borrowings with principal amount of RMB55,000 thousand were secured by the Group's restricted term deposits of US$10,237 thousand (equivalent to RMB62,641 thousand)).

As at 30 June 2015, bank borrowings with principal amount of RMB370,000 thousand are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (31 December 2014: Same). As at 30 June 2015, bank borrowings with principal amount of RMB60,000 thousand are guaranteed by Wuzhong Group (31 December 2014: Nil).

7. CAPITAL EXPENDITURE

Our capital expenditure consists primarily of purchases of property, plant and equipment. Our capital expenditure was RMB427 thousand for the six months ended 30 June 2015, as compared with RMB274 thousand for the same period of last year.

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

On 8 May 2015, the Group's wholly-owned subsidiary, Suzhou Huifang Technology Co. Ltd. (蘇州匯方科技有限公司) established Suzhou Huifang Rongda Internet Technology Company Limited (蘇州匯方融達網絡科技有限公司, ("**Rongda Internet**")), a wholly-owned subsidiary. Rongda Internet had a registered capital of RMB30,000 thousand and paid-up capital of RMB2,000 thousand. Rongda Internet set up by our Group was specially engaged in online peer-to-peer financial services business.

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS, LIQUIDITY AND FINANCIAL RESOURCES

9.1 Contingencies

As at 30 June 2015 and 31 December 2014, the Group did not have any significant contingent liabilities.

9.2 Commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
No later than 1 year	**2,513**	1,590
Later than 1 year and no later than 5 years	**2,875**	1,593
	5,388	3,183

9.3 Liquidity and Capital Resources

a. *Cash Flow Analysis*

As at 30 June 2015, the Group's cash and cash equivalents amounted to RMB94,318 thousand, representing a decrease of RMB92,041 thousand as compared with that at the beginning of the year. The following table sets forth a summary of our cash flows for the indicated periods:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash (outflow)/inflow from operating activities	**(10,131)**	(334,758)
Net cash (outflow)/inflow from investing activities	**(427)**	(274)
Net cash (outflow)/inflow from financing activities	**(81,483)**	118,000
Increase/(Decrease) in cash and cash equivalents	**(92,041)**	(217,032)
Cash and cash equivalents at beginning of period	**186,359**	338,837
Cash and cash equivalents at end of period	**94,318**	121,805

Net Cash Flow from Operating Activities

During the Reporting Period, net cash outflow from operating activities amounted to RMB10,131 thousand, mainly due to a slight increase in loans our Group granted to customers.

Net Cash Flow from Financing Activities

During the Reporting Period, net cash outflow from financing activities amounted to RMB81,483 thousand, mainly due to (i) payment of final dividends for 2014 of RMB44,483 thousand; and (ii) repayment of bank borrowings of RMB37,000 thousand.

b. *Liquidity Risk*

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments. Such outflows would deplete available cash resources for customer lending. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets.

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Repayable on demand or within 1 month	**1–6 months**	**6–12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited				
As at 30 June 2015				
Bank borrowings	**—**	**708,703**	**112,846**	**821,549**
Amounts due to related parties	**1,087**	**—**	**—**	**1,087**
Other financial liabilities	**705**	**—**	**—**	**705**
Total financial liabilities	**1,792**	**708,703**	**112,846**	**823,341**
Audited				
As at 31 December 2014				
Bank borrowings	48,232	336,289	484,270	868,791
Amounts due to related parties	633	—	—	633
Other financial liabilities	2,458	—	—	2,458
Total financial liabilities	51,323	336,289	484,270	871,882

Sources of liquidity are regularly reviewed by the finance department of the Group to ensure the availability of sufficient liquid funds to meet all obligations.

10. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 30 June 2015, the Group had a total of 118 full-time employees, an increase by 6 from 112 as at 31 December 2014. We will adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

For the six months ended 30 June 2015, employee remuneration and benefits increased by RMB6,112 thousand to RMB16,338 thousand from the same period of last year. The increase was mainly due to the employee remuneration and benefits amounting to RMB4,338 thousand recognised in respect of the share option scheme. The shareholders of the Company approved and adopted a share option scheme on 26 May 2014. On 16 June 2014, the Company granted a total of 50,000,000 share options under the share option scheme.

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

11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

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

12. EVENTS AFTER REPORTING PERIOD

The Group completed the acquisition of 40% of equity interests of Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. in July 2015. For details of the acquisition, please refer to the announcement of the Company dated 30 March 2015.

PROSPECTS

The economic conditions we are experiencing are not optimistic. A slowdown in growth, the short-term pain of structural adjustment and the aftermath of the economic stimulation policies promulgated previously still linger on.

For small and medium-sized enterprises, which are our major customers, they are directly exposed to the pressure of slower growth, slower turnover and upgrading and restructuring. For some enterprises, their operation may be very difficult. Small and medium-sized enterprises are unwilling to make more investments despite the amply supply of funds in the market. According to our expectation, the decrease in the market interest rate may become a "new normal".

We are mainly engaged in provision of loans which are primarily secured by real estate collateral in Suzhou. The fluctuations in the real estate market of Suzhou will have significant impact on the Group's operation. In the second half of 2015, the secondary real estate market in Suzhou seems uncertain.

We have completed the acquisition of 40% of equity interests of Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. in July 2015, and officially launched an online P2P Lending platform, Suzhou Qian Dai (*www.suzhoumoney.com*), through which we will build our Group into an integrated financing service provider.

DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 June 2015.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2015.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

In the opinion of the Board, the Company has complied with all the applicable principles and code provisions of the CG Code during the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Specific enquiry has been made of all Directors, and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2015.

REVIEW OF INTERIM RESULTS

The audit committee of the Company together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2015. In addition, the independent auditor of the Company has reviewed the unaudited interim results for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2015 is published on the websites of the Stock Exchange (*www.hkexnews.hk*) and the Company (*www.cnhuirong.com*) respectively. The 2015 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and our Company in due course.

By Order of the Board
China Huirong Financial Holdings Limited
CHEN Yannan
Chairman

Suzhou, China, 25 August 2015

As at the date of this announcement, the executive Directors of the Company are Mr. Chen Yannan, Mr. Wu Min and Mr. Mao Zhuchun, the non-executive Directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng and Mr. Cao Jian and the independent non-executive Directors of the Company are Mr. Zhang Huaqiao, Mr. Feng Ke and Mr. Tse Yat Hong.