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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

Highlights for the Year Ended 31 December 2015:

	For the year ended or as at 31 December		
	2015	2014	Change
	RMB'000	*RMB'000*	*%*
Operating Results			
Revenue	**375,536**	388,832	(3.4)
Net revenue	**323,334**	335,967	(3.8)
Profit attributable to equity holders	**101,886**	165,003	(38.3)
Basic earnings per share (RMB)	**0.10**	0.16	(37.5)
Dividend per share (HK$)	**—**	0.055	—

The Board of directors (the "**Board**") of China Huirong Financial Holdings Limited (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2015 (the "**Reporting Year**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Interest income	*12*	**375,536**	388,832
Interest expense		**(54,655)**	(52,866)
Net interest income		**320,881**	335,966
Other operating income, net		**2,453**	1
Net revenue		**323,334**	335,967
Administrative expenses	*13*	**(67,580)**	(72,769)
Net charge of impairment allowance on loans to customers	*6(c)*	**(142,920)**	(35,919)
Other gains, net		**38,285**	4,094
Profit before income tax		**151,119**	231,373
Income tax expense	*14*	**(41,605)**	(66,370)
Profit for the year		**109,514**	165,003
Attributable to:			
— Equity holders of the Company		**101,886**	165,003
— Non-controlling interests		**7,628**	—
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**109,514**	165,003
Attributable to:			
— Equity holders of the Company		**101,886**	165,003
— Non-controlling interests		**7,628**	—
Earnings per share from profit attributable to the equity holders of the Company (expressed in RMB)			
— Basic and diluted earnings per share	*15*	**0.10**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,121**	1,715
Intangible assets		**559**	285
Deferred income tax assets		**47,261**	10,139
		48,941	12,139
Current assets			
Other assets		**19,876**	17,842
Loans to customers	*6*	**2,030,053**	1,494,248
Cash at bank and on hand	*7*	**670,547**	855,975
		2,720,476	2,368,065
Total assets		**2,769,417**	2,380,204
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital	*8*	**8,111**	8,111
Share premium	*9*	**548,237**	592,720
Other reserves	*9*	**578,319**	556,713
Retained earnings		**418,078**	342,569
		1,552,745	1,500,113
Non-controlling interests		**214,076**	—
Total equity		**1,766,821**	1,500,113

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Current liabilities			
Other liabilities	*10*	**16,015**	16,228
Current income tax liabilities		**32,412**	21,519
Deferred income tax liabilities		**2,913**	5,202
Amounts due to related parties		**684**	633
Borrowings	*11*	**950,572**	836,509
Total liabilities		**1,002,596**	880,091
Total equity and liabilities		**2,769,417**	2,380,204

Note:

1 GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the "Company") was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law 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 (the "Group") are principally engaged in lending services through granting collateral-backed loans, guaranteed loans and unsecured 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 has undertaken 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") 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.

On 30 March 2015, the Board of Directors of the Company announced a potential acquisition of 40% of the equity interests in Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. ("Dongshan Micro-finance") from Wuzhong Jiaye for a cash consideration of RMB126,414,800 (equivalent to approximately HK$158,018,500). The transaction was approved at the extraordinary general meeting of the Company on 28 May 2015 and completed on 1 July 2015. Dongshan Micro-finance is mainly engaged in granting small amount loans and providing financing guarantee to customers in the PRC.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 ***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 collateral-backed loans, guaranteed loans and unsecured loans; (b) the collection of loan interest and principal 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 consolidated financial statements.

2.1.2 ***Changes in accounting policy and disclosures***

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

HKAS 19 (Amendment)	Contributions from Employees or Third Parties to Defined Benefit Plans

Amendments from annual improvements to HKFRSs — 2010–2012 Cycle:

HKFRS 8 (Amendment)	Operating Segments
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 38 (Amendment)	Intangible Assets
HKAS 24 (Amendment)	Related Party Disclosures

Amendments from annual improvements to HKFRSs — 2011–2013 Cycle:

HKFRS 3 (Amendment)	Business Combinations
HKFRS 13 (Amendment)	Fair Value Measurement
HKAS 40 (Amendment)	Investment Property

The adoption of the improvements made in the 2010 — 2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New standards and interpretations not yet adopted by the Group*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Standards	**Key requirements**	**Effective from financial years starting on or after**
HKFRS 15	HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKAS 15.	1 January 2018
HKFRS 9	HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.	1 January 2018

Standards	Key requirements	Effective from financial years starting on or after
	Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.	

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

IFRS 16	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019

There are no other IFRSs interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 *Consolidation of subsidiaries*

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the accounting policies adopted by the Group.

For combination with a company under common control, the merger accounting method will be applied. The principle of merger accounting is a way to combine companies under common control as though the business of the acquiree had always been carried out by the acquirer. The Group's consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the Group as if any such combination had occurred from the date when the Company and the acquiree first came under common control (i.e. no fair value adjustment on the date of combination is required). The difference between the consideration and carrying amount at the time of combination is recognised in equity. The effects of all transactions between the Group and the acquiree, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group. Comparative amounts are presented as if the acquiree had been combined at the end of the previous reporting period. The transaction costs for the combination will be expensed in the income statement.

(a) *Subsidiary from Reorganisation*

The wholly owned subsidiary, Suzhou HuifangTongda Information Technology Company Limited (蘇州匯方同達資訊科技有限公司), previously named as Suzhou HuifangTongda Management Consulting Company Limited (蘇州匯方同達管理諮詢有限公司) ("HuifangTongda"), has entered a series of Contractual Agreements with Wuzhong Pawnshop, Wuzhong Pawnshop's direct equity holders namely Jiangsu WuzhongJiaye Investment Co., Ltd. (江蘇吳中嘉業投資有限公司) ("WuzhongJiaye") and Suzhou New District Hengyue Management Consulting Co., Ltd. (蘇州新區恒悦管理諮詢有限公司) ("Hengyue Consulting"), and their respective equity holders, which enables the Group to:

- exercise effective control over Wuzhong Pawnshop;
- exercise equity holders' voting rights of WuzhongJiaye and Hengyue Consulting during the general meetings of Wuzhong Pawnshop;
- receive a majority of the economic benefits of Wuzhong Pawnshop through service fees in consideration for the management and consulting services provided by HuifangTongda;
- receive the residual economic benefits of Wuzhong Pawnshop by exercising an exclusive option to purchase the entire equity interest in Wuzhong Pawnshop when and to the extent permitted under PRC laws; and
- obtain a pledge over the entire equity interest of WuzhongJiaye and Hengyue from their respective equity holders.

The Group does not have any equity interest in Wuzhong Pawnshop. However, as a result of the Contractual Agreements, the Group controls Wuzhong Pawnshop and is considered to be the primary beneficiary of the results, assets and liabilities of Wuzhong Pawnshop. Consequently, the Company treats Wuzhong Pawnshop as an indirect subsidiary under HKFRS. The Group has included the financial position and results of Wuzhong Pawnshop in the consolidated financial statements.

(b) *Subsidiaries other than from Reorganisation*

Except for the Reorganisation as described in Note 1, the group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

On 1 July 2015, the Group completed an acquisition of 40% of the equity interests in Dongshan Micro-finance (the "acquiree") for a cash consideration of RMB126,414,800 (equivalent to approximately HK$158,018,500). The cash consideration transferred and the acquisition-date fair value of previous equity interest in the acquiree is equivalent to the fair value of the identifiable net assets acquired. Thus there is no goodwill recorded in this transaction.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 FINANCIAL RISK FACTORS

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's consolidated financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgment which necessarily have to be made in the course of preparation of the consolidated financial statements.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events.

Accounting policies and management's judgments for certain items are especially critical for the Group's results and financial situation due to their materiality in amount.

(a) ***Impairment allowances on loans to customers***

The Group reviews its loan portfolios to assess impairment at least on a semi-annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) ***Income taxes***

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) ***Consolidated SEs***

The Group has consolidated loans facilitated certain SEs involving raising funds from various investors and granting loans through Suzhou Qian Dai ("蘇州錢袋"), which are guaranteed by Dongshan Micro-finance. When assessing whether to consolidate structured those entities, the Group takes into consideration of all facts and circumstances of whether the Group, as the loan facilitator and guarantor, is acting as agent or principle. These factors considered mainly include: (a) power over the loan generating process; (b) exposure, or rights, to variable returns from involvement with the loans; and (c) the ability to use power over the borrowers to affect the amount of lenders' returns. The Group reassesses whether or not it controls an loan if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4.2 Critical judgements in applying the company's accounting policies

Contractual Agreements

Under the relevant rules and regulations prevailing in the PRC, wholly foreign-owned enterprises are not allowed to operate pawn-loan business in China. The current registered equity holders of Wuzhong Pawnshop are WuzhongJiaye and Hengyue Consulting. As described in Note 2.2.1above, the Group's wholly owned subsidiary HuifangTongda entered into a series of Contractual Agreements with Wuzhong Pawnshop, WuzhongJiaye, Hengyue Consulting and the equity holders of WuzhongJiaye and Hengyue Consulting. Such Contractual Agreements include: (i) a proxy agreement where WuzhongJiaye and Hengyue Consulting have irrevocably and unconditionally undertaken to authorise HuifangTongda to exercise their shareholders' rights under the articles of association of the Wuzhong Pawnshop and applicable PRC laws and regulations; (ii) an exclusive management and consultation service agreement pursuant to which Wuzhong Pawnshop engaged HuifangTongda on an exclusive basis to provide consultation and other ancillary services, and in return Wuzhong Pawnshop agreed to pay HuifangTongda the consultancy service fee; (iii) exclusive call option agreement pursuant to which WuzhongJiaye and Hengyue Consulting irrevocably and unconditionally granted HuifangTongda an option to acquire the entire equity interest held by WuzhongJiaye and Hengyue Consulting in the Wuzhong Pawnshop and/ or all assets of the Wuzhong Pawnshop at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations; and (iv) equity pledge agreement pursuant to which the Ultimate Shareholders granted first priority security interests over their respective equity interests in WuzhongJiaye and Hengyue Consulting to HuifangTongda for guaranteeing the performance of the above the proxy agreement, exclusive management and consultation service agreement, and the exclusive call option agreement. Pursuant to these agreements and undertakings, notwithstanding the fact that the Group does not hold direct equity interest in Wuzhong Pawnshop, management considers that the Group has power over the financial and operating policies of Wuzhong Pawnshop and receive a majority of the economic benefits from its business activities. Accordingly, Wuzhong Pawnshop has been treated as an indirect subsidiary of the Company.

5 SEGMENT INFORMATION

The Company's Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Group's operation is primarily located in the PRC under three legal entities, i.e., Wuzhong Pawnshop, Huifang Tongda and Dongshan Micro-finance. The principal business activity of Wuzhong Pawnshop is to grant pawn loans secured by collateral to customers, mainly small and medium sized enterprises and individuals in the Greater Suzhou Area. Huifang Tongda is engaged in granting entrusted loans. Dongshan Micro-finance is engaged in granting small amount loans and providing financing guarantee to customers, mainly micro and small sized enterprises and individuals in the Greater Suzhou Area.

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 years ended 31 December 2015 and 2014.

6 LOANS TO CUSTOMERS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Loans to customers, gross		
Collateral backed loans	**1,626,651**	1,347,571
Real estate backed loans	**1,059,644**	869,181
Equity interest backed loans	**553,810**	467,430
Personal property backed loans	**13,197**	10,960
Guaranteed loans	**261,941**	—
Unsecured loans	**321,082**	186,873
	2,209,674	1,534,444
Less: Impairment allowances		
— Individually assessed	**(127,118)**	(19,633)
— Collectively assessed	**(52,503)**	(20,563)
	(179,621)	(40,196)
Loans to customers, net	**2,030,053**	1,494,248

Loans to customers arise from the Group's lending services. The loan periods granted to customers are within one year. The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 12.00% to 37.99% per annum in the year ended 31 December 2015 (2014: From 22.37% to 37.99%).

Guaranteed loans granted to customers bear fixed interest rates from 7.8% to 18% per annum in the year ended 31 December 2015 (2014: Nil).

Unsecured loans granted to customers bear fixed interest rates from 6% to 18% per annum in the year ended 31 December 2015 (2014: 12%).

Loans to customers are all denominated in RMB. The impairment allowances are related to loans secured by equity interest backed loans, real estate backed loans, guaranteed loans and unsecured loans (2014: Equity interest backed loans, real estate backed loans and unsecured loans).

As at 31 December 2015, renewed loans amounted to RMB64,480 thousand (2014: RMB9,700 thousand), all are real estate backed pawn loans (2014: Same). No renewed loans had substantially modified their original contractual terms for the year ended 31 December 2015 (2014: Same).

(a) Aging analysis of loans to customers

The aging of the loans to customers are calculated starting from the original granting date without considering the subsequent renewal of the loans. The aging analysis of loans to customers net of impairment allowances are set out below:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**604,184**	1,131,098
3–6 months	**131,067**	83,718
6–12 months	**846,798**	103,624
12–24 months	**268,672**	123,853
Over 24 months	**179,332**	51,955
	2,030,053	1,494,248

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

	As at 31 December 2015		
	Individually assessed	**Collectively assessed**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At beginning of year	**19,633**	**20,563**	**40,196**
Acquire of subsidiaries	**13,535**	**3,789**	**17,324**
Impairment losses recognised	**93,291**	**59,072**	**152,363**
Net write back of loan provision	**(332)**	**(9,111)**	**(9,443)**
Loans written off as un-collectible	**(20,819)**	**—**	**(20,819)**
Other transfer in	**21,810**	**(21,810)**	**—**
At end of year	**127,118**	**52,503**	**179,621**
At beginning of year	**74**	**4,203**	**4,277**
Acquire of subsidiaries	**—**	**—**	**—**
Impairment losses recognised	**19,559**	**16,360**	**35,919**
Net write back of loan provision	**—**	**—**	**—**
Loans written off as un-collectible	**—**	**—**	**—**
Other transfer out	**—**	**—**	**—**
At end of year	**19,633**	**20,563**	**40,196**

(c) Net charge on loans to customers

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Net charge of impairment allowance		
Individually assessed	**92,959**	19,559
Collectively assessed	**49,961**	16,360
	142,920	35,919

7 CASH AT BANK AND ON HAND

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Cash on hand	**1,400**	1,325
Demand deposits with banks	**64,546**	185,034
Term deposits with banks with original maturities over 3 months	**604,601**	669,616
	670,547	855,975

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
RMB	**63,250**	255,567
US dollar	**607,219**	599,613
Hong Kong dollar	**78**	795
	670,547	855,975

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Cash at bank and on hand	**670,547**	855,975
Less: Unrestricted term deposits with banks with original maturities over 3 months	**(294,721)**	(606,975)
Restricted term deposits pledged with banks	**(309,880)**	(62,641)
	65,946	186,359

As at 31 December 2015, restricted term deposits of US$47,721 thousand (2014: US$10,237 thousand), which is equivalent to approximately RMB309,880 thousand (2014: Equivalent to approximately RMB62,641 thousand), were pledged with banks to secure bank borrowings with principal amount of RMB267,000 thousand (2014: RMB55,000 thousand).

8 SHARE CAPITAL

	Number of shares	Ordinary shares	Ordinary shares
		HK$	*RMB*
Issued and fully paid:			
As at 31 December 2015 and 31 December 2014	1,025,237,000	HK$10,252,370	RMB8,111,008

9 SHARE PREMIUM AND OTHER RESERVES

		Other reserves				
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	Total
At 1 January 2015	592,720	500,000	51,942	—	4,771	1,149,433
Appropriation to reserves	—	—	18,797	442	—	19,239
Forfeiture of the schemes	—	—	—	—	(4,771)	(4,771)
Non-controlling interests arising on business combination	—	—	3,163	3,975	—	7,138
Distribution of dividend relating to 2014	(44,483)	—	—	—	—	(44,483)
At 31 December 2015	548,237	500,000	73,902	4,417	—	1,126,556
At 1 January 2014	592,720	500,000	34,365	—	—	1,127,085
Appropriation to statutory reserves	—	—	17,577	—	—	17,577
Value of employee services	—	—	—	—	4,771	4,771
At 31 December 2014	592,720	500,000	51,942	—	4,771	1,149,433

10 OTHER LIABILITIES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Accrued employee benefits	**11,431**	10,012
Turnover tax and other tax payable	**1,963**	3,805
Accrued expenses	**10**	205
Other financial liabilities	**2,611**	2,206
	16,015	16,228

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

11 BORROWINGS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Bank borrowings *(a)*	**859,442**	836,509
SME bonds issued *(b)*	**27,748**	—
Interests of holders of consolidated SEs — Suzhou Qian Dai *(c)*	**63,382**	—
	950,572	836,509

(a) Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 4.35% to 6.50% per annum in the year ended 31 December 2015 (2014: From 5.32% to 7.80%).

As at 31 December 2015, bank borrowings with principal amount of RMB267,000 thousand (2014: RMB55,000 thousand) were secured by restricted term deposits of US$47,721 thousand (2014: US$10,237 thousand).

As at 31 December 2015, bank borrowings with principal amount of RMB370,000 thousand (2014: Same) were guaranteed by Wuzhong Jiaye and the Ultimate Shareholders. As at 31 December 2015, bank borrowings with principal amount of RMB60,000 thousand are guaranteed by Jiangsu Wuzhong Group Co. Ltd (2014: Nil). As at 31 December 2015, bank borrowings with principal amount of RMB120,000 thousand are guaranteed by Suzhou Huifang Technology Co. Ltd. ("Huifang Technology") (2014: Nil).

As at 31 December 2015, bank borrowings with principal amount of RMB41,000 thousand million were guaranteed by all shareholders of Dongshan Micro-finance.

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

(b) In 2015, certain SME private placement bonds were issued to outside investors, whose funding was then used in the lending business to small and medium enterprises in Jiangsu Province. These bonds have a maturity within one year and bear fixed interest rates ranging from 9.3% to 10.00% per annum (2014: Nil).

As at 31 December 2015, all of those bonds were guaranteed by Jiang Su Jin Chuang Credit Re-guarantee Company (江蘇金創信用再擔保公司) (2014: Nil).

(c) As at 31 December 2015, interest of holders of platform loans are borrowings from individuals investors through the P2P platform of Suzhou Qian Dai.

As at 31 December 2015, the loans funded by the above borrowings through Suzhou Qian Dai and guaranteed by Dongshan Micro-finance were consolidated by the Group amounted to RMB62,886 thousand.

12 INTEREST INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Interest income from loans to customers		
Real estate backed loans	**175,070**	193,498
Equity interest backed loans	**122,704**	131,253
Personal property backed pawn loans	**13,917**	24,827
Guaranteed loans	**17,631**	16,613
Unsecured loans	**29,577**	—
Interest income from bank deposits	**16,637**	22,641
	375,536	388,832

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.

13 ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Employee benefit expenses	**17,259**	24,333
Business tax and surcharges	**19,797**	21,679
Value-added tax and surcharges	**7,955**	10,276
Transportation, meal and accommodation	**4,592**	2,893
Auditors' remuneration		
— Audit services	**3,800**	2,178
— Non-audit services	**—**	20
Operating lease payments	**3,439**	2,390
Professional and consultancy fees	**3,396**	3,992
Telephone, utilities and office expenses	**2,430**	1,223
Advertising costs	**2,137**	10
Depreciation and amortisation	**1,113**	1,191
Other expenses	**1,662**	2,584
	67,580	72,769

The Group's lending businesses are 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 revenue items of the Group are subject to value-added tax and surcharges. Under the Exclusive Management and Consultation Service Agreement, Wuzhong Pawnshop has engaged 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.

14 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax	**72,581**	75,152
Deferred income tax	**(30,976)**	(8,782)
	41,605	66,370

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Profit before income tax	**151,119**	231,373
Tax calculated at statutory tax rates	**38,028**	59,383
Tax effect of:		
— Expenses not deductible for tax purposes	**(121)**	1,448
— Adjustment in respect of prior years	**875**	337
— PRC withholding tax	**2,823**	5,202
Tax charge	**41,605**	66,370

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 year ended 31 December 2015 (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 by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. 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. The Group accrued for PRC withholding tax based on the tax rate of 10% on a portion of the earnings generated by PRC subsidiaries for the year ended 31 December 2015 (2014: Same).

15 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for each of the year 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 year.

	Year ended 31 December	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**101,886**	165,003
Weighted average number of ordinary shares in issue (in thousands)	**1,025,237**	1,025,237
Basic earnings per share (RMB)	**0.10**	0.16

(b) Dilutive earnings per share

As there were no options or shares in issue with potential dilutive effect during the years ended 31 December 2015 and 2014, diluted earnings per share is the same as basic earnings per share.

16 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:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
No later than 1 year	**3,354**	1,590
Later than 1 year and no later than 5 years	**4,956**	1,593
	8,310	3,183

(b) Guarantees commitments

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Guarantees	**1,060**	—

17 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*
As at 31 December 2015				
Borrowings	88,629	655,112	295,980	1,039,721
Amounts due to related parties	684	—	—	684
Other financial liabilities	2,611	—	—	2,611
Total financial liabilities	91,924	655,112	295,980	1,043,016
As at 31 December 2014				
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.

18 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. The Group has established 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 loans to customers are all within 12 months, whilst maturity dates of bank borrowings are 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.

Based on the simulations performed and with other variables held constant, should the benchmark interest rate had been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB1,051 thousand for the year ended 31 December 2015 (2014: approximately RMB774 thousand), mainly as a result of higher/lower interest income on term deposits with banks and interest expense on fixed-rate bank borrowings arising from interest rate repricing.

Interest rates on interest-bearing financial assets, mainly 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 31 December 2015, other than deposits with banks denominated in US dollar and Hong Kong dollar totaling RMB607,216 thousand (2014: RMB600,407 thousand), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should US dollar had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB6,072 thousand (2014: RMB6,004 thousand) lower/higher for the year ended 31 December 2015, mainly as a result of foreign exchange losses/gains on translation of US dollar and Hong Kong dollar denominated balances.

19 DIVIDENDS

	Year ended 31 December	
	2015	2014
Proposed final dividend (2014: HK$0.055) per ordinary share	—	44,483

A dividend in respect of the year ended 31 December 2014 of HK$0.055 per ordinary share was declared on 28 May 2015. The annual general meeting of the Company determined that such dividend should be paid out of the share premium account.

No dividends in respect of the year ended 31 December 2015 is recommended by the Board of Directors by the release date of this financial statement.

MANAGEMENT DISCUSSION AND ANALYSIS

The year 2015 was full of changes and challenges. The PRC economy has been experiencing a new norm of slower economic growth, with macro-economy continuing its downward trend since 2014 and contracting demand in consumption, investment and export activities. Small and medium-sized enterprises, which form the majority of our customer base, have been facing the pressure from slower economic growth, slower turnover and upgrading and restructuring. Suzhou Wuzhong Pawnshop Co., Ltd., the operating entity of the Group in the PRC ("PRC Operating Entity"), is mainly engaged in providing loans which are primarily secured by real estate collateral in Suzhou. Therefore, the fluctuations in real estate market of Suzhou cast a significant impact on the Company's operation. Despite a dampened housing market in 2015, the real estate market in Suzhou presented a strong upward momentum in the fourth quarter of 2015 due to its sound industrial structure and strong purchasing power in Suzhou.

1. BUSINESS REVIEW AND DEVELOPMENT

Our principal activity is granting pawn loans secured by real estate, equity interest or personal property collateral, and providing entrusted loans to our customers. During the Reporting Year, we established two new branches, expanding our business to regions outside Suzhou. In addition, we completed the acquisition of 40% of the equity interests in a microfinance company known as, Dongshan Micro-finance and established an Internet financing platform, known as Suzhou Qian Dai, to provide online peer-to-peer financing services.

1.1 *Pawn Loans*

On 8 April 2015 and 21 April 2015, 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). The following table sets out the details of new loans and renewed loans, including loans secured by real estate collateral, equity interest collateral and inventory collateral and entrusted loans we granted during the indicated periods:

	Year ended 31 December	
	2015	2014
Total new loan amount granted (RMB in millions)	**2,957**	3,628
Total number of new loans granted	**187**	256
Total loan amount renewed (RMB in millions)	**67**	207
Total number of loans renewed	**4**	11
Average loan repayment period (days)	**130**	78

During the Reporting Year, the average loan repayment period increased to 130 days from 78 days for the year ended 31 December 2014.

1.2 *Outstanding pawn loans to customers*

As at 31 December 2015, our outstanding pawn loans to customers were RMB1,552,024 thousand. The following table sets forth our outstanding loans to customers for the indicated periods:

	As at 31 December		
	2015	2014	Growth
	RMB'000	*RMB'000*	*%*
Pawn loans to customers, net			
— Real estate backed pawn loans	**943,200**	858,934	9.81
— Equity interest backed pawn loans	**432,819**	440,471	(1.74)
— Personal property backed pawn loans	**13,197**	10,960	20.41
— Entrusted loans	**162,808**	183,883	(11.46)
	1,552,024	1,494,248	3.87

As at 31 December 2015, the amount of our outstanding pawn loans secured by real estate and equity interest collateral remained at the approximately same level as that in the previous year. The monthly average outstanding amount for the above loans almost reached the maximum amount we can grant pursuant to relevant regulations on pawn business. During the Reporting Year, the entrusted loans we granted to our customers decreased by 11.46% as compared to that in 2014.

1.3 *Business of Dongshan Micro-finance*

On 1 July 2015, the Group acquired 40% of the equity interests of Dongshan Micro-finance, which is mainly engaged in granting small amount loans and providing financing guarantee to customers in the PRC. After the completion of the acquisition, the Group owned 40% of the equity interests in Dongshan Micro-finance. The Group signed an acting-in-concert agreement with two minority shareholders who owned 20% of equity interest in total in Dongshan Micro-finance and then obtained majority voting rights in shareholders meeting of Dongshan Micro-finance. Thus the financial results of Dongshan Micro-finance are consolidated and accounted for as a subsidiary of the Group upon completion of the acquisition.

The following table sets out the details of new loans and renewed loans, including loans secured by real estate collateral, guaranteed and unsecured loans we granted during the indicated periods as at 31 December 2015:

	As at 31 December 2015
Total new loan amount granted (RMB in millions)	542
Total number of new loans granted	249

As at 31 December 2015, the outstanding loans to customers granted by Dongshan Micro-finance were RMB415,144 thousand.

	As at 31 December 2015 *RMB'000*
Loans to customers, net	
— Real estate backed loans	75,612
— Guaranteed loans	185,461
— Unsecured loans	154,071
	415,144

1.4 *Online P2P lending business — Suzhou Qian Dai*

As part of the Group's commitment to diversify its business and expand its income stream, the Group officially launched an online "peer-to-peer" lending ("P2P Lending") platform, namely Suzhou Qian Dai (www.suzhoumoney.com) on 8 January 2015. It provides a diverse channel of lending which complements the traditional short-term collateral-backed loan business of the Group. Through its Online P2P Lending service, the Group provides an online platform for third parties with funding needs (the "Borrowers") to advertise their funding requirements, and for interested third parties who are willing to take 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 to provide guarantee on loan repayment, including provision of appropriate pledge and collateral for the loan. Any funds provided by the Relevant Lenders, and the distribution/collection of monies to/from the Borrowers are managed by a third-party custodian independent from the Group. The Group earns commissions through provision of the 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	
	Year ended 31 December	
	2015	2014
Total lending business amount (RMB in millions)	**179**	—
Total number of lending business	**97**	—

1.5 *Declined effective yield of loans to customers as compared to that of last year*

During the Reporting Year, the effective loan yield declined to 22.2% from that of last year (2014: 30%). The decline in loan yield was attributable to that we lowered the financing costs for customers in view of the general downward trend of financing costs in the market and an increase in impairment provision made in the year as compared to that of last year to adequately reflect the Group's market risk exposure.

1.6 *Increased impairment allowance to reflect changes in market environment*

As at 31 December 2015, the Group had outstanding loans that individually impaired amounting to RMB209,247 thousand, representing 9.5% of the outstanding loans granted to customers (before provision). The above loans are expected to incur impairment loss of RMB127,118 thousand, representing 5.8% of the outstanding loans granted to customers (before provision). In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 31 December 2015, the gross impairment allowance made by the Group amounted to RMB179,621 thousand, representing 8.1% of the outstanding loans granted to customers (before provision).

2. FINANCIAL REVIEW

Due to the changes in market environment, the Company recorded a decrease in financial results during the Reporting Year. Net revenue for the Reporting Year was RMB320,881 thousand, representing a decrease of 4.5% as compared to that in 2014; profit attributable to equity holders for the Reporting Year was RMB101,886 thousand, representing a decrease of 38.3% as compared to that in 2014.

During the Reporting Year, the actual profit attributable to equity holders was RMB101,886 thousand after deducting the following expense item below:

A provision for withholding tax of RMB2,823 thousand (2014: RMB5,202 thousand). Pursuant to the CIT Law, the dividends declared by the foreign-invested 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.

For the convenience of comparison, excluding the above factor, the operating net profit during the Reporting Year would be RMB99,938 thousand, representing a decrease of approximately 39.4% from that for the year ended 31 December 2014.

The financial review is summarised as follows:

2.1 *Interest income, interest costs and net interest margin*

Interest income: During the Reporting Year, our interest income amounted to RMB375,536 thousand (2014: RMB388,832 thousand), representing a decrease of 3.4% from that in 2014. Interest income from the top five customers accounted for 28.9% of total interest income for the Reporting Year (2014: 33.6%).

Interest cost: During the Reporting Year, our interest costs amounted to RMB54,655 thousand (2014: RMB52,866 thousand), representing an increase of 3.4% from that in 2014.

Net interest margin: Net interest margin equals net interest income divided by the average of the beginning and the ending balances of interest-earning assets, which equals the sum of the balances of loans to customers and deposits with banks. Net interest margin was 12.7% during the Reporting Year (2014: 17.2%).

The decline in net interest margin was mainly due to the Group's adjustment of lowering the financing costs for customers to maintain our market competitiveness under an environment of declining interest rate following five rate cuts by the central bank of the PRC in 2015. We expect that the decline in interest rate may become a new norm.

2.2 *Administrative expenses*

The administrative expenses during the Reporting Year amounted to RMB67,580 thousand, representing a decrease of RMB5,189 thousand or 7.1% from that of 2014 (2014: RMB72,769 thousand). The decrease was mainly due to:

(i) the decreases of an aggregate amount of RMB4,203 thousand in business tax and surcharges and value-added tax and surcharges (non-deductible value-added tax) amounting to RMB1,882 thousand and RMB2,321 thousand, respectively, which were mainly due to decreased turnover tax payable in accordance with relevant tax laws along with the decrease in the interest income and profit for the PRC Operating Entity.

(ii) the decrease in employee remuneration and benefits of RMB7,074 thousand, which was mainly due to the decline in both interest income and profit which led to an decrease in employee remuneration and benefits.

During the Reporting Year, the ratio of administrative expenses to net revenue remained relatively stable at 20.9% (2014: 21.7%) as compared to that in the previous year.

2.3 *Net charge of impairment allowance*

During the Reporting Year, net charge of impairment allowance was RMB142,920 thousand, comprised of individually assessed impairment allowance of RMB92,959 thousand and collectively assessed impairment allowance of RMB49,961 thousand.

For the year ended 31 December 2014, net charge of impairment allowance was RMB35,919 thousand.

The significant increase in net charge of impairment allowance during the Reporting Year was mainly because the additional impairment allowances were required to adequately reflect the Group's exposure to market risks and credit risk in light of changes in the operating environment.

2.4 *Income tax expenses*

During the Reporting Year, the income tax expenses amounted to RMB41,605 thousand, representing a decrease of 37.3% as compared with 2014.

The income tax expenses included withholding tax of RMB2,823 thousand (2014: RMB5,202 thousand). Pursuant to the CIT Law, the dividends declared by the foreign-invested 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 during the Reporting Year was 25.7% (2014: 26.4%).

2.5 *Profit attributable to equity holders and return on assets*

During the Reporting Year, profit attributable to equity holders was RMB101,886 thousand (2014: RMB165,003 thousand), representing a decrease of 38.3% as compared with 2014.

During the Reporting Year, return on average assets was 4.3% (2014: 7.4%) and return on average equity was 9.4% (2014: 11.7%).

3. LOANS TO CUSTOMERS

3.1 *Loan portfolio*

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

	As at 31 December	
	2015	2014
Gross loans to customers, inclusive of principal and interest (RMB'000)		
Loans secured by real estate collateral	**1,059,644**	869,181
Loans secured by equity interest collateral	**553,810**	467,430
Loans secured by personal property collateral	**13,197**	10,960
Guaranteed loans	**261,941**	—
Unsecured loans	**321,082**	186,873
Total	**2,209,674**	1,534,444
Number of loans outstanding		
Loans secured by real estate collateral	**96**	78
Loans secured by equity interest collateral	**52**	42
Loans secured by personal property collateral	**798**	850
Guaranteed loans	**178**	—
Unsecured loans	**122**	5
Total	**1,246**	975
Average loan amount (RMB'000)		
Loans secured by real estate collateral	**11,038**	11,143
Loans secured by equity interest collateral	**10,650**	11,129
Loans secured by personal property collateral	**17**	12.9
Guaranteed loans	**1,472**	—
Unsecured loans	**2,632**	37,375

3.2 *Loan classification and impairment allowances*

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

	As at 31 December			
	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
Neither past due nor impaired (i)	**1,150,290**	**52.06%**	1,230,672	80.20%
Past due but not impaired (ii)	**850,137**	**38.47%**	277,879	18.11%
Individually impaired (iii)	**209,247**	**9.47%**	25,893	1.69%
Gross	**2,209,674**	**100.00%**	1,534,444	100.00%
Less: Impairment allowance (iii)	**(179,621)**	**8.13%**	(40,196)	2.62%
Net	**2,030,053**	**—**	1,494,248	—

(i) Loans neither past due nor impaired

Loans that are neither past due nor impaired relate to a wide range of customers with 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 carry higher values than the carrying amount of the loan. Unsecured loans and entrusted loans are also included in this category as none of them is past due or impaired as at 31 December 2015 (2014: Both personal property backed pawn loans and entrusted loans are also included in this category as none of them is past due or impaired).

(ii) Loans past due but not impaired

Loans that are past due but not impaired relate to the customers that have good borrowing records with the Group. 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.

The Group accepted real estate collateral at fair value of approximately RMB924,460 thousand for real estate backed loans that were past due but not impaired as at 31 December 2015 (2014: RMB412,574 thousand). As at 31 December 2015, loans that were past due but not impaired amounted to RMB850,137 thousand, including loans secured by real estate collateral of RMB624,668 thousand, accounting for 73.5%; loans secured by equity interest collateral of RMB205,198 thousand, accounting for 24.1%; and guaranteed loans of RMB20,271 thousand, accounting for 2.4%.

(iii) As at 31 December 2015, loans to customers which were individually impaired amounted to RMB209,247 thousand, with an estimated loss of RMB127,118 thousand. The estimated loss is due to the difficulty in operations faced by a small number of customers and is measured based on the difference between the carrying amount and the present value of estimated future cash flows of the credit assets.

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Loans secured by real estate collateral	**(40,832)**	(10,247)
Loans secured by equity interest collateral	**(120,991)**	(26,959)
Loans secured by personal property collateral	**—**	—
Guaranteed loans	**(13,595)**	—
Unsecured loans	**(4,203)**	(2,990)
Total	**(179,621)**	(40,196)

In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 31 December 2015, the impairment allowance for loans secured by real estate collateral, loans secured by equity interest collateral, entrusted loans, guaranteed and unsecured loans amounted to RMB179,621 thousand, representing 8.1% of the outstanding loans granted to customers (before provision). The balance comprised of individually assessed impairment allowance of RMB127,118 thousand and collectively assessed impairment allowance of RMB52,503 thousand.

3.3 *Loans under legal proceedings*

As at 31 December 2015, we are under legal proceedings in respect of the recovery of 20 loans, among the loans to customers that were past due but not impaired, which are secured by real estate collateral and amounted to RMB139,406 thousand. No loss is expected to be incurred on such loans. The loans are fully secured by real estate collateral with a reasonably ascertainable market value and considered fully recoverable.

Among the loans that were individually impaired, we have initiated legal proceedings for the recovery of 6 loans, which are secured by equity interest collateral and amounted to RMB30,177 thousand. Individually assessed impairment allowance of RMB30,177 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 negotiated with the applicant individually 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 at the indicated dates:

	As at 31 December	
	2015	2014
Aggregate loan amount (RMB in millions)		
Real estate collateral	**1,059.64**	869.2
Equity interest collateral	**553.8**	467.4
Appraised value of collateral at time of pawn loan approval (RMB in millions)		
Real estate collateral	**1,607.52**	1,491.7
Equity interest collateral	**1,916.77**	2,215.3
Range of appraised loan-to-value ratios of pawn loans		
Loans secured by real estate collateral	**14%–70%**	24%–70%
Loans secured by equity interest collateral	**4%–50%**	4%–46%
Weighted average appraised loan-to-value ratio of pawn loans		
Loans secured by real estate collateral	**57%**	57%
Loans secured by equity interest collateral	**37%**	27%

5. TOTAL EQUITY AND CAPITAL MANAGEMENT

5.1 *Total Equity*

Our total equity as at 31 December 2015 was RMB1,766,821 thousand, representing an increase of RMB266,708 thousand or 17.8% as compared to that as at 31 December 2014. The increase was due to: (i) profit attributable to equity holders of RMB101,886 thousand during the Reporting Year, and (ii) recognition of the reversal of employee benefit expenses of RMB4,771 thousand provided for the share option scheme by the Group (such reversal did not lead to cash inflow to the Group as the expenses were reversed with a deduction from the Group's capital reserves); (iii) dividend of RMB44,483 thousand paid to shareholders by the Group in 2015; and (iv) the minority interests of RMB214,076 thousand arising from acquisition of Dongshan Micro-finance.

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 31 December 2015 was 33% (2014: 30%).

6. BORROWINGS AND PLEDGE OF ASSETS

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Bank borrowings (a)	**859,442**	836,509
SME bonds issued (b)	**27,748**	—
Interests of holders of consolidated SEs — Suzhou Qian Dai (c)	**63,382**	—
	950,572	836,509

(a) (i) Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 4.35% to 6.50% per annum in the year ended 31 December 2015 (2014: From 5.32% to 7.80%).

(ii) As at 31 December 2015, bank borrowings with principal amount of RMB267,000 thousand (2014: RMB55,000 thousand) were secured by restricted term deposits at bank of US$47,721 thousand (2014: US$10,237 thousand).

(iii) As at 31 December 2015, bank borrowings with principal amount of RMB370,000 thousand were guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (2014: same). As at 31 December 2015, bank borrowings with principal amount of RMB60,000 thousand were guaranteed by Jiangsu Wuzhong Group Co. Ltd (2014: Nil). As at 31 December 2015, bank borrowings with principal amount of RMB120,000 thousand were guaranteed by Huifang Technology (2014: Nil).

(iv) As at 31 December 2015, bank borrowings with principal amount of RMB41,000 thousand were guaranteed by all shareholders of Dongshan Micro-finance.

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

(b) In 2015, certain SME private placement bonds were issued to outside investors, whose funding was then used in the lending business to small and micro enterprises in Jiangsu Province. These bonds have a maturity within one year and bear fixed interest rates ranging from 9.3% to 10.00% per annum (2014: Nil).

As at 31 December 2015, all of those bonds were guaranteed by Jiang Su Jin Chuang Credit Re-guarantee Company (江蘇金創信用再擔保公司) (2014: Nil).

(c) As at 31 December 2015, interest of holders of platform loans are borrowings from individuals investors through the P2P platform of Suzhou Qian Dai.

As at 31 December 2015, the loans funded by the above borrowings through Suzhou Qian Dai and guaranteed by Dongshan Micro-finance were consolidated by the Group amounted to RMB62,886 thousand.

7. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of purchases of property and intangible assets. Our capital expenditure was RMB700 thousand during the Reporting Year (2014: RMB304 thousand).

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

8.1 *Acquisition of Equity Interests in Dongshan Micro-finance*

The Group completed the acquisition of 40% of equity interests in Dongshan Micro-finance in July 2015. The consideration for the acquisition was RMB126,415 thousand pursuant to the acquisition agreement. For details of the acquisition, please refer to the announcement of the Company dated 30 March 2015.

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS, LIQUIDITY AND FINANCIAL RESOURCES

9.1 *Contingencies*

As at 31 December 2015, save as the respective commitments and guarantees disclosed below, the Group did not have any significant contingent liabilities (2014: Nil).

9.2 *Commitments*

a. *Operating lease Commitments*

The Group leases various buildings under non-revocable operating lease agreements. The leases have various terms, clauses for upgrading and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
No later than 1 year	**3,354**	1,590
Later than 1 year and no later than 5 years	**4,956**	1,593
	8,310	3,183

b. *Guarantees Commitments*

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Guarantees	**1,060**	—

9.3 *Liquidity and capital resources*

a. *Cash flow analysis*

As at 31 December 2015, the Group's cash and cash equivalents amounted to RMB186,359 thousand, representing a decrease of RMB120,413 thousand as compared to that as at 31 December 2014. The following table sets forth a summary of our cash flows for the indicated periods:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Net cash (outflow)/inflow from operating activities	**(27,103)**	(270,174)
Net cash (outflow)/inflow from investing activities	**(123,995)**	(304)
Net cash (outflow)/inflow from financing activities	**(3,832)**	118,000
Increase/(Decrease) in cash and cash equivalents	**(154,930)**	(152,478)
Exchange gains on cash and cash equivalents	**34,517**	—
Cash and cash equivalents at beginning of the year	**186,359**	338,837
Cash and cash equivalents at end of the year	**65,946**	186,359

Net Cash Flow from Operating Activities

During the Reporting Year, net cash outflow from operating activities amounted to RMB27,103 thousand. Apart from the income from normal operating activities, the reasons accounting for the change in cash flow mainly include the slight decrease in loans granted to customers by the Group.

Net Cash Flow from Investing Activities

During the Reporting Year, net cash outflow from investing activities amounted to RMB123,995 thousand, which was mainly used for the acquisition of Dongshan Micro-finance.

Net Cash Flow from Financing Activities

During the Reporting Year, net cash outflow from financing activities amounted to RMB3,832 thousand, which was mainly due to the final dividends paid for 2014 of RMB44,483 thousand.

b. *Liquidity risk*

Details of liquidity risk are set out in the paragraph headed "17 LIQUIDITY RISK" in the section headed "Notes to Financial Statements".

10. MARKET RISK

Details of market risk are set out in the paragraph headed "18 MARKET RISK" in the section headed "Notes to Financial Statements".

11. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 31 December 2015, the Group had a total of 126 full-time employees, with an increase in number of 14 from 112 as at 31 December 2014. The increase was mainly due to the newly-established online P2P Lending business and acquisition of Dongshan Micro-finance during the Reporting Year. We will adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

During the Reporting Year, employee remuneration and benefits decreased by RMB7,074 thousand or 29% from that for the year ended 31 December 2014 to RMB17,259 thousand. The decrease was mainly due to the decrease in interest income and profit.

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.

12. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Same 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.

13. EVENTS AFTER REPORTING YEAR

Save as disclosed in this announcement, there is no significant event after 31 December 2015.

PROSPECTS

Looking into 2016, (i) as part of our efforts to achieve development through transformation and innovation, we will further restructure and improve our organisational structure by establishing relevant functional departments and continue to enhance our products and services system, so as to maintain our leading position as a short-term secured financing service provider in China; (ii) the Group will push forward the development of its online financial service platform, namely, Suzhou Qian Dai (www.suzhoumoney.com) into a well-recognised brand of a regulated, safe and reliable online platform for peer-to-peer financial services business in the region; and (iii) the Group will strive to expand its civilian goods pawn business, which is an important segment of the pawn industry, by diversifying our products, increasing transaction volume and innovating business models while keeping the risks controllable.

FINAL DIVIDEND

The Board has not recommended the payment of any final dividends for the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the Reporting Year.

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 Listing Rules.

In the opinion of the Board, the Company has complied with all the applicable principles and code provisions of the CG Code through the Reporting Year.

COMPLIANCE WITH THE 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. Specific enquiry has been made to all the Directors of the Company and they have confirmed that they have complied with the Model Code throughout the Reporting Year.

CHANGE IN DIRECTORS' INFORMATION

During the period from the date of 2015 Interim Report to the date of this announcement, changes in the information of the Directors of the Company are as follows:

Mr. Mao Zhuchun, an executive Director of the Company, ceased to be an executive Director and chief financial officer of the Company on 1 January 2016 while Mr. Zhang Changsong was appointed as an executive Director and chief financial officer of the Company on 1 January 2016. Mr. Cao Jian, a non-executive Director, ceased to be a non-executive Director of the Company on 18 March 2016 while Ms. Zhang Shu was appointed as a non-executive Director of the Company on 18 March 2016.

Mr. Feng Ke, a non-executive Director of the Company, ceased to be an independent director of Guangdong Provincial Expressway Development Co., Ltd (廣東省高速公路發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000429) and Tande Co., Ltd (天地源股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600665) in June 2015 and December 2015, respectively. Mr. Feng Ke has been appointed as an independent director of Shenzhen Success Electronics Ltd (深圳市宇順電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002289) since 14 December 2015.

ANNUAL RESULTS AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has held a meeting with the auditor of the Company to review the annual results of the Group for the year ended 31 December 2015.

The figures in respect of the results announcement of the Group for the year ended 31 December 2015 have been reviewed and agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 27 May 2016. A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Tuesday, 24 May 2016.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cnhuirong.com). The annual report for the year ended 31 December 2015 containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

DEFINITION

Unless otherwise required by the context, terms used in this results announcement shall have the same meanings as those defined in the prospectus of the Company dated 16 October 2013.

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

Hong Kong, 23 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yannan, Mr. Wu Min and Mr. Zhang Changsong, the non-executive directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng and Ms. Zhang Shu and the independent non-executive directors of the Company are Mr. Zhang Huaqiao, Mr. Feng Ke and Mr. Tse Yat Hong.