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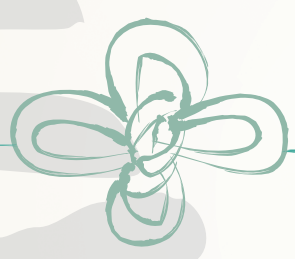
interim report 2015



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

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## Corporate Information



### Board of Directors

#### Executive Directors

Mr. Chen Yannan (*Chairman*)  
 Mr. Wu Min (*Chief Executive Officer*)  
 Mr. Mao Zhuchun (*Chief Financial Officer*)

#### Non-executive Directors

Mr. Zhuo You  
 Mr. Cao Jian  
 Mr. Zhang Cheng

#### Independent Non-executive Directors

Mr. Zhang Huaqiao  
 Mr. Feng Ke  
 Mr. Tse Yat Hong

### Committee Composition

#### Audit Committee

Mr. Tse Yat Hong (*Chairman*)  
 Mr. Feng Ke  
 Mr. Zhang Cheng

#### Remuneration Committee

Mr. Zhang Huaqiao (*Chairman*)  
 Mr. Tse Yat Hong  
 Mr. Wu Min

#### Nomination Committee

Mr. Chen Yannan (*Chairman*)  
 Mr. Feng Ke  
 Mr. Zhang Huaqiao

#### Internet Finance Business Committee

Mr. Zhang Huaqiao (*Chairman*)  
 Mr. Wu Min  
 Mr. Feng Ke

### Joint Company Secretaries

Mr. He Jiong  
 Miss Leung Ching Ching

### Authorised Representatives

Mr. Wu Min  
 Miss Leung Ching Ching

### Registered Office

Cricket Square  
 Hutchins Drive  
 P.O. Box 2681  
 Grand Cayman KY1-1111  
 Cayman Islands

### Principal Place of Business in Hong Kong

Level 54, Hopewell Centre  
 183 Queen's Road East, Hong Kong

### Principal Place of Business and Head Office in the PRC

101 Dongwu North Road, Suzhou  
 Jiangsu Province, the PRC

### Principal Share Registrar

Codan Trust Company (Cayman) Limited

### Hong Kong Share Registrar

Computershare Hong Kong Investor  
 Services Limited

### Principal Banks

Jiangsu Bank, Suzhou Branch  
 Suzhou Bank, Suzhou Branch

### Auditors

PricewaterhouseCoopers



## Corporate Information (continued)

### Legal Advisers

Simpson Thacher & Bartlett  
Haiwen & Partners

### Company's Website

[www.cnhuirong.com](http://www.cnhuirong.com)

### Stock Code

The shares of the Company are listed on  
the Main Board of The Stock Exchange  
of Hong Kong Limited

Stock Code 01290

## Financial Summary



Financial summary for the six months ended 30 June 2015 is set out as follows:

	Six months ended 30 June		
	2015 RMB'000	2014 RMB'000	Change %
<b>Operating Results</b>			
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 30 June 2015 RMB'000	As at 31 December 2014 RMB'000	Change %
<b>Financial Position</b>			
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

# 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.

## Management Discussion and Analysis (continued)

### 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.





## Management Discussion and Analysis (continued)

### 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".

## Management Discussion and Analysis (continued)



### 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.



## Management Discussion and Analysis (continued)

### 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:

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

## Management Discussion and Analysis (continued)

### 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 (Unaudited)	Percentage	RMB'000 (Audited)	Percentage
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)



## Management Discussion and Analysis (continued)

### 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 RMB123,376 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:

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

## Management Discussion and Analysis (continued)



### 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:

	<b>30 June 2015 RMB'000 (Unaudited)</b>	31 December 2014 RMB'000 (Audited)
Bank borrowings — principal	<b>798,000</b>	835,000
Bank borrowings — interest payable	<b>1,366</b>	1,509
	<b>799,366</b>	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)).



## Management Discussion and Analysis (continued)

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, the 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, Huifang Technology established Suzhou Huifang Rongda Internet Technology Company Limited (蘇州匯方融達網路科技有限公司) ("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
	<b>5,388</b>	3,183

## Management Discussion and Analysis (continued)

### 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 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net cash outflow from operating activities	(10,131)	(334,758)
Net cash outflow from investing activities	(427)	(274)
Net cash outflow/inflow from financing activities	(81,483)	118,000
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.





## Management Discussion and Analysis (continued)

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.

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

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.

## Management Discussion and Analysis (continued)



### 11. Future Plans Relating to Material Investments

Save as disclosed in this report, 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.

### 13. 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 ample 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](http://www.suzhoumoney.com)), through which we will build our Group into an integrated financing service provider.



## Other Information

### 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.

### Directors' Interests in Contracts

Save as disclosed in this report, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the six months ended 30 June 2015.

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### (1) Long positions in shares of the Company

Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Shares Issued
Chen Yannan	Beneficial owner	Share options	3,800,000(L) (Note 2)	0.37%
	Interest in controlled corporation	Ordinary shares	65,000,000(L) (Note 3)	6.34%
Wu Min	Beneficial owner	Share options	3,800,000(L) (Note 2)	0.37%
	Beneficial owner	Ordinary shares	640,000(L)	0.06%
Mao Zhuchun	Beneficial owner	Share options	2,400,000(L) (Note 2)	0.23%
Zhuo You	Beneficial owner	Share options	1,000,000(L) (Note 2)	0.10%
	Interest in controlled corporation	Ordinary shares	39,000,000(L) (Note 4)	3.80%
Cao Jian	Beneficial owner	Share options	1,000,000(L) (Note 2)	0.10%

## Other Information (continued)



Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Shares Issued
Zhang Cheng	Beneficial owner	Share options	1,000,000(L) (Note 2)	0.10%
Zhang Huaqiao	Beneficial owner	Share options	2,000,000(L) (Note 2)	0.20%
	Beneficial owner	Ordinary shares	5,880,000(L)	0.57%
Feng Ke	Beneficial owner	Share options	2,000,000(L) (Note 2)	0.20%
Tse Yat Hong	Beneficial owner	Share options	2,000,000(L) (Note 2)	0.20%

## Notes:

- (L) represents long position.
- Details of the interest in the Share Option Scheme are set out below in the paragraph headed "Share Option Scheme" and the circular of the Company dated 22 April 2014.
- These shares are held by Southern Swan Investment Co., Ltd which is 100% beneficially owned by Mr. Chen Yannan, and therefore, Mr. Chen Yannan is deemed to be interested in all these shares under the SFO.
- These shares are held by Assyria Babylon Investment Co., Ltd which is 100% beneficially owned by Mr. Zhuo You, and therefore, Mr. Zhuo You is deemed to be interested in all these shares under the SFO.



## Other Information (continued)

### (2) Long positions in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO)

Name of Director	Name of Associated Corporation	Nature of Interest	Amount of Registered Capital	Percentage of the Total Registered Capital
Chen Yannan	江蘇吳中嘉業集團有限公司 (Jiangsu Wuzhong Jiaye Group Co., Ltd.)	Beneficial owner	RMB95,000,000(L)	10%
	蘇州新區恒悅管理諮詢有限公司 (Suzhou Xinqu Hengyue Management Consulting Co., Ltd.)	Beneficial owner	RMB20,000,000(L)	10%
Zhuo You	江蘇吳中嘉業集團有限公司 (Jiangsu Wuzhong Jiaye Group Co., Ltd.)	Beneficial owner	RMB57,000,000 (L)	6%
	蘇州新區恒悅管理諮詢有限公司 (Suzhou Xinqu Hengyue Management Consulting Co., Ltd.)	Beneficial owner	RMB12,000,000(L)	6%

*Note:*

- (L) represents long position.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information (continued)



### Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at 30 June 2015, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in shares of the Company:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares	Percentage of the total Shares issued
Xiaolai Investment Co., Ltd	Beneficial owner	Ordinary Shares	260,000,000(L)	25.36%
Xilai Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000(L)	6.34%
Zhu Tianxiao	Interest in controlled corporation	Ordinary Shares	325,000,000(L) (Note 2)	31.70%
Baoxiang Investment Co., Ltd	Beneficial owner	Ordinary Shares	84,500,000(L)	8.24%
Zhang Xiangrong	Interest in controlled corporation	Ordinary Shares	84,500,000(L) (Note 3)	8.24%
Wonder Capital Co., Ltd	Beneficial owner	Ordinary Shares	71,500,000(L)	6.97%
Ge Jian	Interest in controlled corporation	Ordinary Shares	71,500,000(L) (Note 4)	6.97%
Southern Swan Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000(L)	6.34%
Dalvey Asset Holding Limited	Beneficial owner	Ordinary Shares	117,561,000(L)	11.47%
RRJ Capital Master Fund II, L.P.	Interest in controlled corporation	Ordinary Shares	117,561,000(L) (Note 5)	11.47%

#### Notes:

- (L) represents long position.
- These shares represent the 260,000,000 shares held by Xiaolai Investment Co., Ltd and 65,000,000 shares held by Xilai Investment Co., Ltd. Each of Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd is 100% beneficially owned by Mr. Zhu Tianxiao. Accordingly, Mr. Zhu Tianxiao is deemed to be interested in all the shares beneficially owned by Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd under the SFO.
- These shares are held by Baoxiang Investment Co., Ltd, which is 100% beneficially owned by Mr. Zhang Xiangrong, and therefore, Mr. Zhang Xiangrong is deemed to be interested in all these shares under the SFO.
- These shares are held by Wonder Capital Co., Ltd, which is 100% beneficially owned by Mr. Ge Jian, and therefore, Mr. Ge Jian is deemed to be interested in all these shares under the SFO.
- These shares are held by Dalvey Asset Holding Limited. As Dalvey Asset Holding Limited is wholly owned by RRJ Capital Master Fund II, L.P., RRJ Capital Master Fund II, L.P. is deemed to be interested in all these shares under the SFO.



## Other Information (continued)

Save as disclosed above, as at 30 June 2015, no persons other than the Directors and chief executive of the Company or corporations had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Share Option Scheme

On 26 May 2014, a share option scheme (the “Share Option Scheme”) of the Company was approved and adopted by the shareholders of the Company.

On 16 June 2014, the Board considered and approved the grant of 50,000,000 share options to certain eligible persons under the Share Option Scheme. The options granted to each of the grantees under the Share Option Scheme shall be vested and become exercisable upon the second anniversary of the date of grant (i.e. 16 June 2016). Vested options shall be exercisable until the expiry of the five-year period from the date of grant (i.e. until 15 June 2019). Grantees of such options are entitled to exercise the options at an exercise price of HK\$1.40 per share. For more details, please refer to the announcement of the Company dated 16 June 2014.

Particulars of the outstanding options granted under the Share Option Scheme are set out below:

Name or category of participants	No. of shares involved in the options outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding as at 30 June 2015
<b>Directors</b>					
Chen Yannan	3,800,000	—	—	—	3,800,000
Wu Min	3,800,000	—	—	—	3,800,000
Mao Zhuchun	2,400,000	—	—	—	2,400,000
Zhuo You	1,000,000	—	—	—	1,000,000
Cao Jian	1,000,000	—	—	—	1,000,000
Zhang Cheng	1,000,000	—	—	—	1,000,000
Zhang Huaqiao	2,000,000	—	—	—	2,000,000
Feng Ke	2,000,000	—	—	—	2,000,000
Tse Yat Hong	2,000,000	—	—	—	2,000,000
Subtotal	19,000,000	—	—	—	19,000,000
<b>Employees</b>					
Employees	31,000,000	—	—	—	31,000,000
<b>Total</b>	<b>50,000,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>50,000,000</b>

Note: The vesting of all share options granted to the eligible persons is conditional upon the achievement of certain performance targets by the relevant individual grantees and/or the Group as set out in their respective offer letters.

## Other Information (continued)



### Corporate Governance Practices

The Board of the Company is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

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 during the six months ended 30 June 2015.

### Model Code for Securities Transactions

The Company has adopted 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 of all the 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.

The Company has also adopted the Model Code as written guidelines (the "**Employees Written Guidelines**") for securities transactions by the relevant employees who are likely to be in possession of inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the six months ended 30 June 2015.

### Change in Directors' Information

Under Rule 13.51B(1) of the Listing Rules, changes in the Directors' information required to be disclosed in this report are as follows:

Mr. Feng Ke, independent non-executive Director of the Company, has been appointed as an independent non-executive director of Zhuguang Holdings Group Company Limited (Stock code: 01176), a company listed on the Hong Kong Stock Exchange, since 17 June 2015.





## Other Information (continued)

Mr. Zhang Huaqiao, independent non-executive Director of the Company, has been appointed as an independent non-executive director of Sinopec Oilfield Service Corporation (formerly known as Sinopec Yizheng Chemical Fibre Company Limited), a company listed on the Hong Kong Stock Exchange (Stock code: 01033), since 9 February 2015. Mr. Zhang has been re-designated as an executive director of China Smartpay Group Holdings Limited (formerly known as Oriental City Group Holdings Limited), a company listed on the Hong Kong Stock Exchange (Stock code: 08325), since 13 May 2015. Mr. Zhang has also resigned as a director of Nanjing Central Emporium (Group) Stocks Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600280), since 10 June 2015.

In addition, Mr. Tse Yat Hong, independent non-executive Director of the Company, has resigned as an independent non-executive director of Casablanca Group Limited (Stock Code: 02223), a company listed on the Hong Kong Stock Exchange, since 1 April 2015.

## Review of Interim Results

The audit committee of the Company (the “**Audit Committee**”) consists of three Directors, namely, Mr. TSE Yat Hong, independent non-executive Director, Mr. FENG Ke, independent non-executive Director and Mr. ZHANG Cheng, non-executive Director, and is chaired by Mr. TSE Yat Hong. Our Company has adopted written terms of reference which set out clearly the constitution, authority, duties, powers and functions of the Audit Committee. Our Group’s interim condensed consolidated results for the six months ended 30 June 2015 were reviewed by the members of the Audit Committee prior to the submission to the Board for approval.

The Audit Committee together with the management of the Company have reviewed the accounting policies and practices adopted by our 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 HKICPA.

## Dividend

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

# Report on Review of Interim Financial Statements



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF CHINA HUIRONG FINANCIAL HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the interim financial statements set out on pages 25 to 56, which comprise the interim condensed consolidated statements of financial position of China Huirong Financial Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 August 2015

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## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Interest income	7	195,043	188,200
Interest expense	8	(25,642)	(25,442)
<b>Net interest income</b>		<b>169,401</b>	162,758
Other operating income, net	12	1,207	1
<b>Net revenue</b>		<b>170,608</b>	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
<b>Profit before income tax</b>		<b>84,793</b>	112,444
Income tax expense	13	(28,757)	(35,506)
<b>Profit for the period, attributable to the equity holders of the Company</b>		<b>56,036</b>	76,938
<b>Other comprehensive income for the period, net of tax</b>		<b>—</b>	—
<b>Total comprehensive income for the period, attributable to the equity holders of the Company</b>		<b>56,036</b>	76,938
<b>Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)</b>			
— Basic earnings per share	14	0.055	0.075
— Diluted earnings per share	14	0.052	0.075

The notes on pages 30 to 56 are an integral part of these financial statements.

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2015

(All amounts in RMB thousands unless otherwise stated)



	Note	As at 30 June 2015 RMB'000 Unaudited	As at 31 December 2014 RMB'000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	1,441	1,715
Intangible assets		468	285
Deferred income tax assets	17	21,315	10,139
		<b>23,224</b>	12,139
<b>Current assets</b>			
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
		<b>2,327,075</b>	2,368,065
<b>Total assets</b>		<b>2,350,299</b>	2,380,204
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the equity holders of the Company</b>			
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
<b>Total equity</b>		<b>1,516,004</b>	1,500,113



## Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

	<i>Note</i>	<b>As at 30 June 2015 RMB'000 Unaudited</b>	As at 31 December 2014 RMB'000 Audited
<b>Liabilities</b>			
<b>Current liabilities</b>			
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
<b>Total liabilities</b>		<b>834,295</b>	880,091
<b>Total equity and liabilities</b>		<b>2,350,299</b>	2,380,204
<b>Net current assets</b>		<b>1,492,780</b>	1,487,974
<b>Total assets less current liabilities</b>		<b>1,516,004</b>	1,500,113

The notes on pages 30 to 56 are an integral part of these financial statements.

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited				Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
<b>As at 1 January 2015</b>		<b>8,111</b>	<b>592,720</b>	<b>556,713</b>	<b>342,569</b>	<b>1,500,113</b>
<b>Comprehensive income</b>						
Profit for the period		—	—	—	56,036	56,036
Other comprehensive income		—	—	—	—	—
<b>Total comprehensive income for the period</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>56,036</b>	<b>56,036</b>
Distribution of dividend relating to 2014	15	—	(44,483)	—	—	(44,483)
Value of employee services	22(b)	—	—	4,338	—	4,338
<b>Total transactions with owners, recognised directly in equity</b>		<b>—</b>	<b>(44,483)</b>	<b>4,338</b>	<b>—</b>	<b>(40,145)</b>
<b>As at 30 June 2015</b>		<b>8,111</b>	<b>548,237</b>	<b>561,051</b>	<b>398,605</b>	<b>1,516,004</b>
<b>As at 1 January 2014</b>		<b>8,111</b>	<b>592,720</b>	<b>534,365</b>	<b>195,143</b>	<b>1,330,339</b>
<b>Comprehensive income</b>						
Profit for the period		—	—	—	76,938	76,938
Other comprehensive income		—	—	—	—	—
<b>Total comprehensive income for the period</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>76,938</b>	<b>76,938</b>
Value of employee services	22(b)	—	—	456	—	456
<b>Total transactions with owners, recognised directly in equity</b>		<b>—</b>	<b>—</b>	<b>456</b>	<b>—</b>	<b>456</b>
<b>As at 30 June 2014</b>		<b>8,111</b>	<b>592,720</b>	<b>534,821</b>	<b>272,081</b>	<b>1,407,733</b>

The notes on pages 30 to 56 are an integral part of these financial statements.



# Interim Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
	Note		
<b>Cash flows from operating activities</b>			
Profit before income tax		84,793	112,444
<b>Adjustments for:</b>			
Interest expense	8	25,642	25,442
Net charge of impairment allowance on loans to customers	19(c)	44,702	22,027
Depreciation and amortization	9	518	632
Share-based payments	22(b)	4,338	456
		<b>159,993</b>	161,001
<b>Change in operating assets and liabilities:</b>			
— Other assets		(239)	(10,937)
— Loans to customers		(199,424)	(787,284)
— Term deposits with banks		103,910	(142,661)
— Other liabilities		(4,437)	(4,055)
— Amounts due from related parties		—	500,000
— Amounts due to related parties	27(c)	454	(1,949)
		<b>60,257</b>	(285,885)
<b>Cash generated from/(used in) operating activities</b>			
Interest paid		(25,785)	(25,045)
Income tax paid		(44,603)	(23,828)
		<b>(10,131)</b>	(334,758)
<b>Net cash outflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	16	(217)	(274)
Purchases of other intangible assets		(210)	—
		<b>(427)</b>	(274)
<b>Net cash outflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
Dividends paid to equity holders of the Company	15	(44,483)	—
Proceeds from bank borrowings		(378,000)	348,000
Repayments of bank borrowings		(415,000)	(230,000)
		<b>(81,483)</b>	118,000
<b>Net cash (outflow)/inflow from financing activities</b>			
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		186,359	338,837
		<b>94,318</b>	121,805
<b>Cash and cash equivalents at end of the period</b>			
	20		

The notes on pages 30 to 56 are an integral part of these financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)



## 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 (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 (herein after collectively referred to as the “**Group**”) are principally engaged in lending services through granting collateral-backed pawn loans to customers and entrusted loans to customers in 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.

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

These interim condensed consolidated financial statements set out on pages 25 to 56 have been approved and authorised for issue by the Board of the Company on 25 August 2015.

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

## 2 Basis of Preparation

This interim condensed consolidated financial information for the six months ended 30 June 2015 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed consolidated 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 HKFRSs.

### 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 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 interim condensed consolidated financial statements. Further information on the Group’s borrowings is given in Note 24.





## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 3 Accounting Policies

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

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.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 5 Financial Risk Management (continued)

#### 5.1 Financial risk factors (continued)

##### 5.1.1 Credit risk (continued)

##### (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:

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



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 5 Financial Risk Management (continued)

#### 5.1 Financial risk factors (continued)

##### 5.1.1 Credit risk (continued)

##### (b) Impairment and provisioning policies (continued)

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 entrust an independent third party to take possession of the collateral till loan repayment.

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

	<b>30 June 2015 RMB'000 Unaudited</b>	31 December 2014 RMB'000 Audited
Credit risk exposures relating to assets are as follows:		
Other receivables	<b>11,321</b>	10,776
Loans to customers	<b>1,648,970</b>	1,494,248
Deposit with banks	<b>658,833</b>	854,650
	<b>2,319,124</b>	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 the risk associated with the bank balances held at major commercial banks is insignificant.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 5 Financial Risk Management (continued)

#### 5.1 Financial risk factors (continued)

##### 5.1.1 Credit risk (continued)

##### (d) Loans to customers

Loans to customers are summarised as follows:

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



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

### 5 Financial Risk Management (continued)

#### 5.1 Financial risk factors (continued)

##### 5.1.1 Credit risk (continued)

##### (d) Loans to customers (continued)

##### (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:

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

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 5 Financial Risk Management (continued)

#### 5.1 Financial risk factors (continued)

##### 5.1.1 Credit risk (continued)

##### (d) Loans to customers (continued)

##### (iii) Loans to customers individually impaired

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



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 5 Financial Risk Management (continued)

#### 5.1 Financial risk factors (continued)

##### 5.1.2 Market risk (continued)

###### (a) Interest rate risk (continued)

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 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 deposit with banks denominated in US dollar and Hong Kong dollar totaling 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 US dollar 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.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 5 Financial Risk Management (continued)

#### 5.1 Financial risk factors (continued)

##### 5.1.3 Liquidity risk (continued)

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

Sources of liquidity are regularly reviewed by the Finance Department 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.





## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 6 Segment Information

Following the management approach of HKFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group's Board of Directors (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 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 (e.g. 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 RMB'000	2014 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
	<b>195,043</b>	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 RMB'000	2014 RMB'000
Interest expense on bank borrowings	25,642	25,442

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 9 Administrative Expenses

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Employee benefit expenses (Note 10)	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
	<b>42,007</b>	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 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 RMB'000	2014 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
	<b>16,338</b>	10,226



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 11 Other Gains, Net

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

### 12 Other Operating Income, Net

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Net gains from disposal of repossessed assets	835	1
Consultancy fee income — Suzhou Qian Dai	372	—
	<b>1,207</b>	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 RMB'000	2014 RMB'000
Current income tax	39,933	35,467
Deferred income tax	(11,176)	39
	<b>28,757</b>	35,506

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 13 Income Tax Expense (continued)

The difference between the actual income tax charge in the interim condensed consolidated statement 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 RMB'000	2014 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 its 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 an 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.



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 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 RMB'000	2014 RMB'000
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) Diluted 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 RMB'000	2014 RMB'000
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
Adjustments for:		
— Share options (in thousands)	48,085	—
	1,073,322	1,025,237
Weighted average number of ordinary shares for diluted earnings per share (RMB)	0.052	0.075

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)



### 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 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
<b>Unaudited</b>			
<b>Six months ended 30 June 2015</b>			
<b>Net book value</b>			
<b>Opening amount as at 1 January 2015</b>	1,203	512	1,715
Additions	65	152	217
Depreciation	(345)	(146)	(491)
<b>Closing amount as at 30 June 2015</b>	923	518	1,441
<b>Unaudited</b>			
<b>Six months ended 30 June 2014</b>			
<b>Net book value</b>			
<b>Opening amount as at 1 January 2014</b>	1,784	782	2,566
Additions	206	68	274
Depreciation	(415)	(199)	(614)
<b>Closing amount as at 30 June 2014</b>	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).



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 17 Deferred Income Tax

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

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

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 17 Deferred Income Tax (continued)

	PRC withholding tax (Note 13) RMB'000	Total RMB'000
<b>Deferred income tax liabilities</b>		
<b>Unaudited</b>		
<b>Opening balance at 1 January 2015</b>	5,202	5,202
Credited to the consolidated statements of comprehensive income	(222)	(222)
<b>Ending balance at 30 June 2015</b>	4,980	4,980
<b>Unaudited</b>		
<b>Opening balance at 1 January 2014</b>	—	—
Credited to the consolidated statements of comprehensive income	5,182	5,182
<b>Ending balance at 30 June 2014</b>	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
	<b>18,081</b>	17,842





## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

### 19 Loans to Customers

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

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)



### 19 Loans to Customers (continued)

#### (a) Aging analysis of loans to customers

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

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

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

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



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 19 Loans to Customers (continued)

#### (c) Net charge on loans to customers

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

### 20 Cash at Bank and on Hand

	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 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
	<b>660,024</b>	855,975

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

	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
RMB	93,564	255,567
US dollar	565,961	599,613
Hong Kong dollar	499	795
	<b>660,024</b>	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: 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).

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 20 Cash at Bank and on Hand (continued)

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

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

### 21 Share Capital

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



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 22 Share Premium and Other Reserves

	Other reserves				Total RMB'000
	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share-based payments reserve RMB'000	
<b>Unaudited</b>					
At 1 January 2015	592,720	500,000	51,942	4,771	1,149,433
Value of employee services (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
<b>Audited</b>					
At 1 January 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 reserve

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

A share option scheme was approved 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. Under the share option scheme, the Company granted 50,000 thousand share options to directors and selected employees on 16 June 2014 with an exercise price of HK\$1.4. 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 the 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.

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 22 Share Premium and Other Reserves (continued)

#### (b) Share-based payments — Value of employee services (continued)

	2015	
	Exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January 2015	1.4	50,000
Granted	—	—
At 30 June 2015	1.4	50,000

	2014	
	Exercise price in HK\$ per share option	Number of share options (thousands)
At 1 January 2014	—	—
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 2014 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 share options were granted during 1 January 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 31 June 2014: RMB456 thousand).



## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

### 23 Other Liabilities

	<b>30 June 2015 RMB'000 Unaudited</b>	31 December 2014 RMB'000 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
	<b>11,791</b>	16,228

As 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

	<b>30 June 2015 RMB'000 Unaudited</b>	31 December 2014 RMB'000 Audited
Bank borrowings — principal	798,000	835,000
Bank borrowings — interest payable	1,366	1,509
	<b>799,366</b>	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 six months ended 30 June 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 RMB370,000 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).

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 has no undrawn borrowing (31 December 2014: Same).

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015  
(All amounts in RMB thousands unless otherwise stated)

### 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:

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

<b>Names of related parties</b>	<b>Nature of relationship</b>
Wuzhong Jiaye Wuzhong Group	Direct equity holder of Wuzhong Pawnshop Controlling shareholder of Wuzhong Jiaye before Reorganisation
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 (" <b>BVI entities owned by the Ultimate Shareholders</b> ")	Related parties controlled by each of the Ultimate shareholders





## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)

### 27 Related Party Transactions (continued)

#### (b) Significant transactions with related parties

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Audited)
Office rental payable 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 2015		31 December 2014
	RMB'000 (Unaudited)	RMB'000 (Audited)	
<b>Amounts due to related parties</b>			
Due to BVI entities owned by the Ultimate Shareholders	633	633	
Due to Wuzhong Real Estate	454	—	
	<b>1,087</b>	633	

Balances with related parties were interest-free.

#### (d) Key management compensation

Key management includes executive directors, the vice president, the assistants to the president and secretary to the board of directors. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2015 RMB'000 Unaudited	2014 RMB'000 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
	<b>4,053</b>	2,207

## Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

(All amounts in RMB thousands unless otherwise stated)



### 28 Events Occurring 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.



## Definitions

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

“Board” or “Board of Directors”	the board of directors of our Company
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
“Company” or “our Company”	China Huirong Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 11 November 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“Director(s)”	the director(s) of our Company
“Contractual Arrangements”	A series of contracts entered into by Huifang Tongda, Huifang Technology, PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and PRC Shareholders (as the case may be), details of which are set out in the section headed “Our History and Reorganisation — Contractual Arrangement” in the Prospectus
“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
“Group”, “our Group”, “we”, “our” or “us”	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as the subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
“Hengyue Consulting”	Suzhou Xingqu Hengyue Management Consulting Co., Ltd. (蘇州新區恆悅管理諮詢有限公司), a limited liability company established under the laws of the PRC on 22 October 2007, one of the direct Shareholders of the PRC Operating Entity.
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by HKICPA
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huifang Technology”	Suzhou Huifang Management Consulting Co., Ltd (蘇州匯方管理諮詢有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 29 December 2011, which is an indirect wholly owned subsidiary of our Company. On 12 December 2013, the name of Suzhou Huifang Management Consulting Co. Ltd. (蘇州匯方管理諮詢有限公司) was changed to Suzhou Huifang Technology Co. Ltd. (蘇州匯方科技有限公司) upon the approval from Administration for Industry and Commercial of Suzhou, Jiangsu

## Definitions (continued)



“Huifang Tongda”	Suzhou Huifang Tongda Management Consulting Co., Ltd (蘇州匯方同達管理諮詢有限公司), a limited liability company established in the PRC on 10 February 2012 which is an indirect wholly-owned subsidiary of our Company. On 11 December 2013, the name of Suzhou Huifang Tongda Management Consulting Co., Ltd (蘇州匯方同達管理諮詢有限公司) was changed to Suzhou Huifang Tongda Information Technology Co., Ltd (蘇州匯方同達信息科技有限公司) upon the approval from Administration for Industry and Commercial of Wuzhong, Suzhou
“Listing”	the listing of the Shares of the Company on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC Operating Entity” or “Wuzhong Pawnshop”	Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司), a limited liability company established under the laws of the PRC on 21 December 1999, formerly known as Wuxian Wuzhong Pawnshop Co., Ltd. (吳縣市吳中典當行有限公司), a company which we do not own but the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements
“PRC Shareholders”	Mr. Zhu Tianxiao, Mr. Zhang Xiangrong, Mr. Ge Jian, Mr. Chen Yannan, Mr. Wei Xingfa, Mr. Yang Wuguan and Mr. Zhuo You, who are the ultimate and indirect shareholders of the Company. Except for Mr. Chen Yannan, who is an executive Director and the Chairman of the Company, and Mr. Zhuo You, who is a non-executive Director of the Company, none of the other PRC Shareholders is a director or members of the senior management
“Prospectus”	prospectus of the Company dated 16 October 2013 in relation to the Global Offering
“Reorganisation”	the reorganisation of the Group in preparation of the Listing, details of which are set out in the section headed “Our History and Reorganisation — Reorganisation” in the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuzhong Group”	Jiangsu Wuzhong Group Co., Ltd. (江蘇吳中集團有限公司), a limited liability company established under the laws of the PRC on 26 May 1992, formerly known as Jiangsu Wuzhong Group Co. (江蘇吳中集團公司)
“Wuzhong Jiaye”	Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司), a limited liability company established under the laws of the PRC on 25 April 2005, formerly known as Jiangsu Wuzhong Jiaye Investment Co., Ltd. (江蘇吳中嘉業投資有限公司), one of the direct shareholders of the PRC Operating Entity



## Definitions (continued)

“Wuzhong Real Estate”                      江蘇吳中地產集團有限公司 (Jiangsu Wuzhong Real Estate Group Co., Ltd.), a limited liability company established under the laws of the PRC on 13 August 1992, formerly known as 江蘇吳中東吳產業開發公司 (Jiangsu Wuzhong Dongwu Property Development Co.), 吳縣市東吳產業開發公司 (Wuxian Dongwu Property Development Co.), and 江蘇吳中東吳產業開發有限公司 (Jiangsu Wuzhong Dongwu Property Development Co., Ltd.)

In this interim report, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

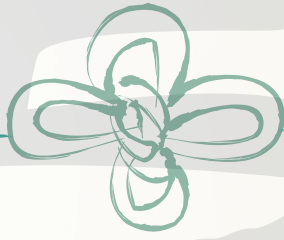
## Glossary



The glossary contains explanations of certain terms and definitions used in this interim report in connection with us and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“average loan amount”	the aggregate outstanding loan amount of a certain type of loans divided by the number of outstanding loans of that type as of an indicated date
“CAGR”	compound annual growth rate
“charge-off ratio”	impairment charge for an indicated period divided by ending balance of the gross amount of loans to customers of the same period and multiplied by 100%
“cost to income ratio”	administrative expenses of an indicated period divided by net revenue of the same period and multiplied by 100%
“gross loan yield”	interest income from loans to customers of an indicated period divided by the average of the beginning and the ending balances of gross loan amount multiplied by 100%
“impaired loan ratio”	the aggregate amount of individually impaired loans as of an indicated date divided by the gross amount of loans to customers as of the same date and multiplied by 100%
“appraised loan-to-value ratio”	the outstanding principal amount of a loan as of the calculation date divided by the appraised value of the underlying collateral securing such loan as decided in the loan application review process and multiplied by 100%
“net interest margin”	net interest income for an indicated period divided by the average of the beginning and the ending balance of interest earning assets of the same period, which equals the sum of the ending balances of (i) loans to customers and (ii) deposit with banks and multiplied by 100%
“return on average assets”	profit attributable to equity holders for an indicated period divided by the average of the beginning and the ending balances of total assets of the same period and multiplied by 100%
“return on average equity”	profit attributable to equity holders for an indicated period divided by the average of the beginning and the ending balances of total equity of the same period and multiplied by 100%

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