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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

	Six Months Ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	*%*
Operating Results			
Revenue	**120,424**	195,043	–38.3
Net revenue	**93,444**	170,608	–45.2
Profit attributable to equity holders	**3,257**	56,036	–94.2
Basic earnings per share (RMB)	**0.003**	0.055	–94.5

	As at 30 June 2016	As at 31 December 2015	Change
	RMB'000	*RMB'000*	*%*
Financial Position			
Total assets	**2,897,811**	2,769,417	4.6
Loans to customers	**2,125,571**	2,030,053	4.7
Cash at bank and on hand	**688,857**	670,547	2.7
Net assets	**1,755,139**	1,766,821	–0.7

The board of directors (the "**Board**") of China Huirong Financial Holdings Limited (the "**Company**") hereby announces the interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**") as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Unaudited Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Interest income	*7*	**120,424**	195,043
Interest expense	*8*	**(29,322)**	(25,642)
Net interest income		**91,102**	169,401
Other operating income, net	*9*	**2,342**	1,207
Net revenue		**93,444**	170,608
Administrative expenses	*10*	**(32,322)**	(42,007)
Net charge of impairment allowance on loans to customers	*18(c)*	**(69,088)**	(44,702)
Other gains, net	*12*	**12,996**	894
Profit before income tax		**5,030**	84,793
Income tax expense	*13*	**7,296**	(28,757)
Profit for the period, attributable to the equity holders of the Company		**12,326**	56,036
Attributable to:			
— Equity holders of the Company		**3,257**	56,036
— Non-controlling interests		**9,069**	—
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period, attributable to the equity holders of the Company		**12,326**	56,036
Attributable to:			
— Equity holders of the Company		**3,257**	56,036
— Non-controlling interests		**9,069**	—
Earnings per share from profit attributable to the equity holders of the Company (expressed in RMB)			
— Basic earnings per share	*14*	**0.003**	0.055
— Diluted earnings per share	*14*	**0.003**	0.052

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	**As at 30 June 2016** ***RMB'000*** **Unaudited**	As at 31 December 2015 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**1,439**	1,121
Intangible assets		**1,086**	559
Deferred income tax assets	*16*	**62,278**	47,261
		64,803	48,941
Current assets			
Other assets	*17*	**18,580**	19,876
Loans to customers	*18*	**2,125,571**	2,030,053
Cash at bank and on hand	*19*	**688,857**	670,547
		2,833,008	2,720,476
Total assets		**2,897,811**	2,769,417
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**8,111**	8,111
Share premium		**548,237**	548,237
Other reserves		**578,319**	578,319
Retained earnings		**421,335**	418,078
		1,556,002	1,552,745
Non-controlling interests		**199,137**	214,076
Total equity		**1,755,139**	1,766,821
Liabilities			
Current liabilities			
Other liabilities	*21*	**11,183**	16,015
Current income tax liabilities		**11,156**	32,412
Deferred income tax liabilities	*16*	**—**	2,913
Amounts due to related parties	*25(c)*	**1,230**	684
Bank borrowings	*22*	**1,119,103**	950,572
Total liabilities		**1,142,672**	1,002,596
Total equity and liabilities		**2,897,811**	2,769,417

Note:

1 GENERAL INFORMATION

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

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

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

The Reorganisation involved primarily the insertion of the Company and its other subsidiaries owned by the Ultimate Shareholders, who also owned Wuzhong Pawnshop, as holding companies of Wuzhong Pawnshop. Accordingly, the Reorganisation is accounted for using the accounting principle which is similar to that of a reverse acquisition. The consolidated 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 were listed on the Stock Exchange on 28 October 2013.

On 1 July 2015, the Group acquired 40% of the equity interests in Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州吳中區東山農村小額貸款有限公司) ("**Dongshan Micro-finance**") from Jiangsu Wuzhong Jiaye Investment Co., Ltd.* (江蘇吳中嘉業投資有限公司) ("**Wuzhong Jiaye**") for a cash consideration of RMB126,414,800 (equivalent to approximately HK$158,018,500). Therefore Dongshan Micro-finance has become a subsidiary of the Group, which is mainly engaged in granting small amount loans and providing financing guarantee to customers in the PRC.

On 30 May 2016, Suzhou Huifang Tongda Information Technology Company Limited* (蘇州匯方同達資訊科技有限公司) ("**Huifang Tongda**") set up a 100% interest indirectly held factoring company to provide services like debtor financing when a business sells its accounts receivable (i.e., invoices) at a discount, investigation and assessing the buyer's credit, sales account management, bad debt guarantee, accounts receivable collection and consultation.

The interim condensed consolidated financial information are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

These interim condensed consolidated financial information set out on pages 4 to 29 have been approved and authorised for issue by the Board on 26 August 2016.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of customer demand for the Group's pawn loans and entrusted loans; (b) the collection of loan principal and interest upon maturity; and (c) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in operational performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim condensed consolidated financial statements. Further information on the Group's borrowings is given in Note 22.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

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

(b) Impact of standards issued but not yet applied by the entity

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

Standards	Key requirements	Effective from financial years starting on or after
HKFRS 15	HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS15.	1 January 2018
HKFRS 9	HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.	1 January 2018

Standards	Key requirements	Effective from financial years starting on or after
	The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.	
HKFRS 16	HKFRS 16 specifies how an HKFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor, HKAS 17. The Group is yet to assess HKFRS 16's full impact.	1 January 2019

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of interim condensed consolidated 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 interim condensed consolidated 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 2015.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

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

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

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

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.

For collateral-backed pawn loans, certain types of collaterals from the borrowers are taken by the Group, including:

- Real estate, including residential and commercial properties;
- Equity instruments, mainly equity interest in unlisted companies which are typically related to the borrowers;
- Inventories belonging to the borrowers; and

- Personal properties, including but not limited to precious metal and luxury goods.

The Group focuses on ascertaining legal ownership and valuation of the real estate collaterals. The amount of a granted loan is generally lower than the estimated value of its real estate collaterals. The Group monitors the value of the real estate collaterals throughout the loan period.

Further to collateral held as security for pawn loans, the Group introduces other credit enhancement measures for equity interest backed pawn loans, primarily third party guarantee against the security of loan repayment, taking into consideration the borrower's repayment ability, repayment records, collateral status, financial performance, leverage ratio, industry outlook and market competition, etc.

For guaranteed loans, the Group takes into consideration both the borrower's and the third party guarantor's repayment ability, financial performance, leverage ratio and business performance, etc.

For unsecured loans, the Group evaluates the credit status of individual customers, including the customers' business performance, financial information, repayment ability, as well as industrial outlook in which the customers operate.

Dongshan Micro-finance, a subsidiary of the Company, provides guarantee to its customers' financings. Dongshan Micro-finance takes into consideration the borrower's repayment ability, repayment records, collateral status, leverage ratio and financial performance, etc. A third-party guarantor is also required to provide re-guarantee to Dongshan Micro-finance.

The Group's bank balances are mainly deposited with major commercial banks in the PRC, which are believed with high credit quality. The Group considers the risk associated with the bank balances held at major commercial banks is insignificant.

(b) *Impairment and provisioning policies*

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the balance sheet date based on objective evidence of impairment.

The impairment provision shown in the interim condensed consolidated statement of financial position at the Reporting Period end is derived from each of the three loan categories by credit type. The impairment provision comes from equity interest backed loans, real estate backed loans, guaranteed loans and unsecured loans. The table below shows the Group's gross amount of loans to customers and the associated impairment allowances by credit type:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Loans to customers, gross	**1,625,490**	1,626,651
— Real estate backed loans	**1,048,712**	1,059,644
— Equity interest backed loans	**537,123**	553,810
— Personal property and inventory backed loans	**39,655**	13,197
— Guaranteed loans	**285,746**	261,941
— Unsecured loans	**445,998**	321,082
	2,357,234	2,209,674
Less: Impairment allowances	**(197,297)**	(161,823)
— Real estate backed loans	**(38,755)**	(40,832)
— Equity interest backed loans	**(158,542)**	(120,991)
— Personal property and inventory backed loans	**—**	—
— Guaranteed loans	**(27,425)**	(13,595)
— Unsecured loans	**(6,941)**	(4,203)
	(231,663)	(179,621)
	2,125,571	2,030,053

The Group's credit risk management policies require the review of individual outstanding loans other than personal property and inventory backed loans at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis. The assessment normally encompasses collateral held and the anticipated receipts for that individual account, taking into account the customer's financial standing, current ability to pay, quality and value of collateral, past experience, the financial standing of the third party guarantor, and information specific to the customer as well as pertaining to the economic environment in which the customer operates. Personal property and inventory backed pawn loans are not individually significant so as to warrant an individual assessment.

Collectively assessed impairment allowances are provided for: (i) portfolios of outstanding loans that have been individually assessed with no objective evidence of impairment by homogenous collateral type; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

Personal property and inventory backed 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. For the six months ended 30 June 2016, there has been no incurred credit loss on the loans secured by personal property and inventory collateral after considering the amount recovered through repossessed assets. Consequently no collectively assessed impairment allowances were provided for loans secured by this collateral type.

Please refer to Note 18 for individually assessed and collectively assessed impairment allowances arising from equity interest backed loans, real estate backed loans, guaranteed loans and unsecured loans.

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Credit risk exposures relating to assets are as follows:		
Other receivables	**13,120**	13,946
Loans to customers	**2,125,571**	2,030,053
Deposit with banks	**687,823**	669,147
	2,826,514	2,713,146
Off-balance sheet credit exposures		
Guarantees *(i)*	**1,000**	1,060

The above table represents the worst case scenario of credit risk exposure to the Group at 30 June 2016 and 31 December 2015, 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 statement of financial position.

(i) As at 30 June 2016, Dongshan Micro-finance guaranteed RMB1,000 thousand loan generated through a third party internet finance platform, which constitutes the off balance sheet credit exposure of the Group (31 December 2015: RMB 1,060 thousand).

(d) *Loans to customers*

Loans to customers are summarised as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Neither past due nor impaired	**988,390**	1,150,290
Past due but not impaired	**1,005,744**	850,137
Individually impaired	**363,100**	209,247
Gross	**2,357,234**	2,209,674
Less: Impairment allowances *(Note 18)*	**(231,663)**	(179,621)
Net	**2,125,571**	2,030,053

(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 and inventory backed 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 2016 (31 December 2015: nil).

(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 cases of equity interest backed loans and guaranteed loans, there have not been a significant change in the customers' credit quality and the balances are considered fully recoverable. Gross amount of loans to customers that were past due but not impaired are analysed by aging as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Real estate backed loans, gross		
Past due up to 1 month	**—**	317,754
Past due 1–6 months	**307,489**	21,480
Past due over 6 months	**544,045**	285,434
	851,534	624,668
Equity interest backed loans, gross		
Past due up to 1 month	**26,951**	180,256
Past due 1–6 months	**—**	6,126
Past due over 6 months	**105,935**	18,816
	132,886	205,198
Guaranteed loans, gross		
Past due up to 1 month	**—**	17,180
Past due 1–6 months	**14,340**	3,091
Past due over 6 months	**6,984**	—
	21,324	20,271
Past due but not impaired, total	**1,005,744**	850,137

(iii) Loans to customers individually impaired

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Gross individually impaired loans		
— Real estate backed loans	**116,567**	67,847
— Equity interest backed loans	**199,648**	117,861
— Guaranteed loans	**46,885**	23,539
	363,100	209,247
Impairment allowance made in respective of such loans		
— Real estate backed loans	**(27,692)**	(29,483)
— Equity interest backed loans	**(118,652)**	(86,866)
— Guaranteed loans	**(23,592)**	(10,769)
	(169,936)	(127,118)
Net individually impaired loans	**193,164**	82,129

(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 29.8% of the total loans to customers as at 30 June 2016 (31 December 2015: 28.2%). Interest income from the top five customers accounted for 28.1% of total interest income for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 37.3%).

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 to the 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 loans to customers are all within 6 months, whilst maturity dates of 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.

Based on the simulations performed and with other variables held constant, should the benchmark interest rate have been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB2,655 thousand for the six months ended 30 June 2016 (for the six months ended 30 June 2015: approximately RMB1,832 thousand), mainly as a result of higher/lower interest income on term deposits with banks and interest expense on fixed-rate bank borrowings arising from interest rate repricing.

Interest rates on interest-bearing financial assets, 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 2016, other than deposits with banks denominated in US dollar and Hong Kong dollar totalling RMB629,713 thousand (31 December 2015: RMB607,297 thousand) (Note 19), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should the US dollar have had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB6,297 thousand lower/higher for the six months ended 30 June 2016 (for the six months ended 30 June 2015: higher/lower RMB5,656 thousand).

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) along with cash and cash equivalents on the basis of expected cash flow. The Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

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

	Repayable on demand or within 1 month	**1–6 months**	**6–12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited				
As at 30 June 2016				
Bank borrowings	102,565	538,199	510,894	1,151,658
Amounts due to related parties	1,230	—	—	1,230
Other financial liabilities	3,031	—	—	3,031
Total financial liabilities	106,826	538,199	510,894	1,155,919
Audited				
As at 31 December 2015				
Bank borrowings	88,629	655,112	295,980	1,039,721
Amounts due to related parties	684	—	—	684
Other financial liabilities	2,611	—	—	2,611
Total financial liabilities	91,924	655,112	295,980	1,043,016

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

5.2 Fair value of financial assets and liabilities

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

6 SEGMENT INFORMATION

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

The Group's operation is primarily located in the PRC under three legal entities, i.e., Wuzhong Pawnshop, Huifang Tongda and Dongshan Micro-finance. The principal business activity of the three entities is to grant loans to customers and provide financing guarantee in the Greater Suzhou Area.

The Group managed its business under one operating and reportable segment in accordance with the definition of a reportable segment under HKFRS 8 for the six months ended 30 June 2016 and 2015.

7 INTEREST INCOME

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest income from loans to customers		
Real estate backed loans	**50,430**	98,256
Equity interest backed loans	**19,996**	70,713
Personal property and inventory backed pawn loans	**7,092**	4,863
Guaranteed loans	**17,735**	—
Unsecured loans	**20,014**	12,697
Interest income from bank deposits	**5,157**	8,514
	120,424	195,043

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	
	2016	2015
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**22,982**	25,642
Other interest expenses *(Note 22)*	**6,340**	—
	29,322	25,642

9 OTHER OPERATING INCOME, NET

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Consultancy fee income — Suzhou Qian Dai *(a)*	**1,210**	372
Net gains from disposal of repossessed assets	**947**	835
Guarantee fee income — Dongshan Micro-finance	**185**	—
	2,342	1,207

(a) In February 2015, the Group established an internet finance platform named Suzhou Qian Dai, which acted as an intermedia agent between borrowers and lenders to earn a consultancy fee income. The Group charges a fixed consultancy fee at rates ranging from 0.22% to 5% per annum to the borrowers (2015: ranging from 0.22% to 5%).

10 ADMINISTRATIVE EXPENSES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Employee benefit expenses *(Note 11)*	**13,900**	16,338
Business tax and surcharges *(a)*	**3,919**	11,048
Advertising costs	**3,413**	461
Transportation, meal and accommodation	**2,601**	2,515
Operating lease payments	**2,190**	1,374
Professional and consultancy fees	**1,741**	2,791
Value-added tax and surcharges *(a)*	**1,597**	5,238
Telephone, utilities and office expenses	**1,290**	1,046
Depreciation and amortisation	**365**	518
Other costs	**1,306**	678
	32,322	42,007

(a) The Group's lending businesses are subject to business tax and surcharges before 1 May 2016. Business tax is levied at 5% of revenue from interest income on loans to customers, while surcharges are 12% of business tax payable. Staring from 1 May 2016, interest income on loans to customers of the Group is subject to value-added tax at 6% while surcharges are 12% of value-added tax payable.

11 EMPLOYEE BENEFIT EXPENSES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Wages and salaries	**5,988**	8,811
Discretionary bonuses	**6,156**	1,744
Other social security obligations	**1,016**	814
Pension	**740**	631
Share-based payments	**—**	4,338
	13,900	16,338

12 OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Net foreign currency gains	**12,976**	352
Government grants	**20**	542
	12,996	894

13 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax	**10,621**	39,933
Deferred income tax	**(17,917)**	(11,176)
	(7,296)	28,757

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

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**5,030**	84,793
Tax calculated at tax rates applicable to profits in the respective area	**1,289**	22,222
Tax effect of:		
— Expenses not deductible for tax purposes	**306**	1,145
— Adjustment in respect of prior years (a)	**(5,978)**	410
— PRC withholding tax (b)	**(2,913)**	4,980
Tax charge	**(7,296)**	28,757

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.

The applicable Hong Kong profits tax rates are 16.5% on the estimated assessable profits.

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.

(a) Adjustment in respect of prior years mainly consisted of the difference between income tax outcome and previous year estimation of Dongshan Micro-finance. As stipulated by local tax bureau, Dongshan Micro-finance was eligible for a preferential income tax rate of 12.5%, lower than that of 25% originally estimated by the Group.

(b) Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China. The Group controls the dividend policies of its PRC subsidiaries and recognises relevant withholding tax.

Pursuant to the 2015 annual general meeting of the Company, it was determined that no dividends is to be declared by the Board. Therefore, the Group reversed the PRC withholding tax accrued before.

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 2015 and 2016.

	Unaudited Six months ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	**3,257**	56,036
Weighted average number of ordinary shares in issue (in thousands)	**1,025,237**	1,025,237
Basic earnings per share (RMB)	**0.003**	0.055

(b) Diluted earnings per share

	Unaudited Six months ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	**3,257**	56,036
Weighted average number of ordinary shares in issue (in thousands)	**1,025,237**	1,025,237
Adjustments for:		
— Share options (in thousands)	**—**	48,085
	1,025,237	1,073,322
Weighted average number of ordinary shares for diluted earnings per share (RMB)	**0.003**	0.052

As there were no options or shares in issue with potential dilutive effect for the six months ended 30 June 2016, diluted earnings per share is the same as basic earnings per share.

15 DIVIDEND

No interim dividend in respect of the six months ended 30 June 2016 is to be declared by the Board by the release date of this announcement.

16 DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities for the six months ended 30 June 2015 and 2016, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Tax on impairment charge on loans to customers *RMB'000*	Recoverable tax losses *RMB'000*	Total *RMB'000*
Deferred income tax assets			
Unaudited			
Opening balance at 1 January 2016	46,514	747	47,261
Credited to the consolidated statements of comprehensive income	14,454	563	15,017
Ending balance at 30 June 2016	60,968	1,310	62,278
Unaudited			
Opening balance at 1 January 2015	10,049	90	10,139
Credited to the consolidated statements of comprehensive income	11,176	—	11,176
Ending balance at 30 June 2015	21,225	90	21,315

	Withholding tax *(Note13)* *RMB'000*	Total *RMB'000*
Deferred income tax liabilities		
Unaudited		
Opening balance at 1 January 2016	2,913	2,913
Credited to the consolidated statements of comprehensive income	(2,913)	(2,913)
Ending balance at 30 June 2016	—	—
Unaudited		
Opening balance at 1 January 2015	5,202	5,202
Charged to the consolidated statements of comprehensive income	4,980	4,980
Utilization of withholding tax	(5,202)	(5,202)
Ending balance at 30 June 2015	4,980	4,980

As at 30 June 2016, no deferred income tax liabilities have been recognised for the PRC withholding tax which would be paid upon the remittance of the distributable profits of certain PRC subsidiaries attributable to investors outside the PRC (30 June 2015: RMB4,980 thousand).

As at 30 June 2016, it is estimated that deferred income tax liabilities will be reversed within one year while deferred income tax assets will be reversed over one year (30 June 2015: same).

17 OTHER ASSETS

	30 June 2016 *RMB'000* **Unaudited**	**31 December 2015** *RMB'000* Audited
Interest receivable from bank deposits	**5,460**	7,762
Other receivables	**4,286**	6,184
Repossessed assets		
— personal properties	**8,834**	5,930
	18,580	19,876

18 LOANS TO CUSTOMERS

	30 June 2016 *RMB'000* **Unaudited**	**31 December 2015** *RMB'000* Audited
Loans to customers, gross	**1,625,490**	1,626,651
Real estate backed loans	**1,048,712**	1,059,644
Equity interest backed loans	**537,123**	553,810
Personal property and inventory backed pawn loans	**39,655**	13,197
Guaranteed loans	**285,746**	261,941
Unsecured loans	**445,998**	321,082
	2,357,234	2,209,674
Less: Impairment allowances		
— Individually assessed	**(169,936)**	(127,118)
— Collectively assessed	**(61,727)**	(52,503)
	(231,663)	(179,621)
Loans to customers, net	**2,125,571**	2,030,053

Loans to customers arise from the Group's lending services. The loan periods granted to customers are within one year. The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 12.00% to 33.12% per annum in the six months ended 30 June 2016 (2015: from 12.00% to 37.99%).

Guaranteed loans granted to customers bear fixed interest rates ranging from 8.4% to 18% per annum in the six months ended 30 June 2016 (2015: ranging from 7.8% to 18%).

Unsecured loans granted to customers bear fixed interest rates ranging from 6% to 18% per annum in the six months ended 30 June 2016 (2015: ranging from 6% to 18%).

Loans to customers are all denominated in RMB.

As at 30 June 2016, renewed loans amounted to RMB94,851 thousand (31 December 2015: RMB64,480 thousand), all are real estate backed pawn loans (31 December 2015: same). No renewed loans had substantially modified their original contractual terms for the six months ended 30 June 2016 (2015: Nil).

(a) Aging analysis of loans to customers

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

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 3 months	**647,456**	604,184
3–6 months	**100,321**	131,067
6–12 months	**245,653**	846,798
12–24 months	**859,329**	268,672
Over 24 months	**272,812**	179,332
	2,125,571	2,030,053

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

	30 June 2016		
	Individually assessed	**Collectively assessed**	**Total**
At beginning of period	**127,118**	**52,503**	**179,621**
Impairment losses recognised	**70,894**	**19,053**	**89,947**
Net write back of loan provision	**(920)**	**(19,939)**	**(20,859)**
Unwind of discount on allowances during the period	**(17,046)**	**—**	**(17,046)**
Other transfer (out)/in	**(10,110)**	**10,110**	**—**
At end of period	**169,936**	**61,727**	**231,663**

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

(c) Net charge on loans to customers

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Net charge of impairment allowance		
Individually assessed	**69,974**	41,907
Collectively assessed	**(886)**	2,795
	69,088	44,702

19 CASH AT BANK AND ON HAND

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	Unaudited	Audited
Cash on hand	**1,034**	1,400
Demand deposits with banks	**59,414**	64,546
Term deposits with banks	**628,409**	604,601
	688,857	670,547

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
RMB	**59,144**	63,250
US dollar	**628,503**	607,219
Hong Kong dollar	**1,210**	78
	688,857	670,547

Cash and cash equivalents of the Group were as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Cash at bank and on hand	**688,857**	670,547
Less: Unrestricted term deposits with banks with original maturities over 3 months	**(310,018)**	(294,721)
Restricted term deposits pledged with banks	**(318,391)**	(309,880)
	60,448	65,946

As at 30 June 2016, restricted term deposits of US$48,014 thousand (31 December 2015: US$47,721 thousand), which is equivalent to approximately RMB318,391 thousand (31 December 2015: approximately RMB309,880 thousand), were pledged with banks to secure bank borrowings with principal amount of RMB271,000 thousand (31 December 2015: RMB267,000 thousand) (Note 22).

20 SHARE CAPITAL

	Number of shares	Ordinary shares	Ordinary shares
		HK$	*RMB*
Issued and fully paid:			
As at 30 June 2016 and 31 December 2015	1,025,237,000	HK$10,252,370	RMB8,111,008

21 OTHER LIABILITIES

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
Accrued employee benefits	**7,493**	11,431
Turnover tax and other tax payable	**649**	1,963
Accrued expenses	**10**	10
Other financial liabilities	**3,031**	2,611
	11,183	16,015

As at 30 June 2016, the Group's other financial liabilities were non-interest bearing. The fair value approximates their carrying amounts due to their short maturities.

22 BORROWINGS

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
Bank borrowings *(a)*	**846,257**	859,442
Interests of holders of consolidated structured entities — Suzhou Qian Dai *(b)*	**269,551**	63,382
SME bonds issued *(c)*	**3,295**	27,748
	1,119,103	950,572

(a) Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 4.35% to 5.87% per annum in the six months ended 30 June 2016 (2015: ranging from 4.35% to 6.50%).

As at 30 June 2016, bank borrowings with principal amount of RMB271,000 thousand (31 December 2015: RMB267,000 thousand) were secured by restricted term deposits of US$48,014 thousand (31 December 2015: US$47,721 thousand) (Note 19).

As at 30 June 2016, bank borrowings with principal amount of RMB370,000 thousand (31 December 2015: RMB370,000 thousand) were guaranteed by Wuzhong Jiaye and the Ultimate Shareholders. As at 30 June 2016, bank borrowings with principal amount of RMB60,000 thousand are guaranteed by Jiangsu Wuzhong Group Co. Ltd ("**Wuzhong Group**") (31 December 2015: RMB60,000 thousand).

As at 30 June 2016, bank borrowings with principal amount of RMB24,000 thousand were guaranteed by all shareholders of Dongshan Micro-finance (31 December 2015: RMB41,000 thousand).

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 2016, the Group had no undrawn borrowing facilities (31 December 2015: nil).

(b) As at 30 June 2016, interests of holders of structured entities are borrowings from individuals investors through the platform of Suzhou Qian Dai (31 December 2015: same).

As at 30 June 2016, the loans funded by the above borrowings through Suzhou Qian Dai and guaranteed by Dongshan Micro-finance were consolidated by the Group amounted to RMB265,085 thousand (31 December 2015: RMB62,886 thousand).

(c) Certain SME private placement bonds were issued to outside investors. Proceeds of bonds issued was then used in the lending business to small and micro enterprises in Jiangsu Province. These bonds have a maturity within one year and bear fixed interest rates ranging from 9.3% to 10.00% per annum (2015: ranging from 9.3% to 10.00%).

As at 30 June 2016, the bond was guaranteed by Jiang Su Jin Chuang Credit Re-guarantee Company* (江蘇金創信用再擔保公司) (31 December 2015: same).

23 CONTINGENCIES

As at 30 June 2016, other than the guarantee services disclosed in Note 24(b), the Group did not have any significant contingent liabilities (31 December 2015: nil).

24 COMMITMENTS

(a) Operating lease commitments

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

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

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	Unaudited	Audited
No later than 1 year	**4,631**	3,354
Later than 1 year and no later than 5 years	**6,486**	4,956
	11,117	8,310

(b) Guarantees commitments

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	Unaudited	Audited
Guarantees *(Note 5.1.1(c))*	**1,000**	1,060

25 RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties of the Group:

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

(b) Significant transactions with related parties

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Office rental payable to Wuzhong Real Estate by the Group	**772**	220
Bank borrowings guaranteed by Wuzhong Jiaye and Ultimate Shareholders (in principal amount at the end of period) *(Note 22)*	**370,000**	370,000
Bank borrowings guaranteed by Wuzhong Group (in principal amount at the end of period) *(Note 22)*	**60,000**	60,000

(c) Balances with related parties

	30 June 2016	**31 December 2015**
	RMB'000	*RMB'000*
	Unaudited	Audited
Amounts due to related parties		
Due to Wuzhong America	**633**	633
Due to Wuzhong Real Estate	**597**	—
Due to Wuzhong Jiaye	**—**	51
	1,230	684

Balances with related parties were interest-free.

(d) Key management compensation

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Basic salaries	**1,290**	1,293
Discretionary bonuses	**845**	977
Pension and other social security obligations	**122**	256
Share-based payments	**—**	1,527
	2,257	4,053

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND DEVELOPMENT

Our principal activity is granting pawn loans secured by real estate, equity interest or personal property collateral, and entrusted loans business and online P2P lending business.

1.1 Pawn Loans

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

	Pawn loans Six months ended 30 June	
	2016	2015
Total new loan amount granted (RMB in millions)	**645**	1,590
Total number of new loans granted	**53**	96
Total loan amount renewed (RMB in millions)	**95**	71
Total number of loans renewed	**8**	7
Average loan repayment period (days)	**28**	25

For the six months ended 30 June 2016, the renewed loans we granted increased slightly as compared with the same period of last year, while the new loans secured by real estate collateral, equity interest collateral and personal property collateral we granted declined as compared with the same period of last year.

For the six months ended 30 June 2016, the average repayment period for loans secured by real estate collateral, equity interest collateral and personal property collateral remained flat as compared with the same period of last year.

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	
	2016	2015
Total new loan amount granted (RMB in millions)	**195**	150
Total number of new loans granted	**5**	6

For the six months ended 30 June 2016, the entrusted loans we granted were comparable to the same period of last year.

1.3 Online P2P lending business

The Group earns a commission through the provision of 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	
	2016	2015
Total lending business amount (RMB in millions)	**923**	36
Total number of lending business	**266**	18

For the six months ended 30 June 2016, the total lending business amount and total number of lending business of Suzhou Qian Dai increased significantly as compared with the same period of last year.

1.4 Business of Dongshan Micro-finance

For the six months ended 30 June 2016, the following table sets out the details of total new loans, including loans secured by real estate collateral, guaranteed and unsecured loans we granted during the indicated periods:

	Business of Dongshan Micro-finance Six months ended 30 June	
	2016	2015
Total new loan amount granted (RMB in millions)	**109**	—
Total number of new loans granted	**42**	—

2. FINANCIAL REVIEW

For the six months ended 30 June 2016, profit attributable to equity holders was RMB3,257 thousand (for the same period of last year: RMB56,036 thousand), representing a decrease of 94.2%.

The decline in profit was primarily due to (i) the decrease in the amount of interest income generated from loans granted to customers as a result of a lower overall interest rates; and (ii) a significant increase in net charge of impairment allowance on loans to customers by approximately 55% for the six months ended 30 June 2016 as compared to that for the six months ended 30 June 2015. Facing the market environment with no obvious improvement since last year and a declining overall interest rates during the six months ended 30 June 2016, the Group made an adjustment to lower the lending rates in order to maintain our market competitiveness. Small and medium-sized enterprises, which are our major customers, have been operating under the pressure of slower growth, slower turnover and updating and restructuring, which further affect their abilities to continue as a going concern and make repayments. As such, we made adequate impairment allowance to reflect the Group's market risk and credit risk exposure.

The financial review for the six months ended 30 June 2016 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 2016, our interest income decreased 38.3% from the same period of last year to RMB120,424 thousand.

For the six months ended 30 June 2016, interest income from the top five customers accounted for 28.1% of total interest income (for the same period of last year: 37.3%).

(ii) Handling fee income: For the six months ended 30 June 2016, handling fee income earned by the Group through the online P2P lending platform was RMB1,210 thousand (for the same period of last year: RMB372 thousand).

Interest costs: For the six months ended 30 June 2016, interest costs were RMB29,322 thousand (for the same period of last year: RMB25,642 thousand).

Net interest margin: Net interest margin equals to net interest income divided by the average of the balances of interest earning assets at the beginning of the year and by the end of June, which equals to the sum of the balances of loans to customers and deposits with banks. Net interest margin (not annualized) was 3.3% for the six months ended 30 June 2016 (for the same period of last year: 7.3%).

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 Norm".

2.2 Administrative expenses

The administrative expenses for the six months ended 30 June 2016 amounted to RMB32,322 thousand, representing a decrease of RMB9,685 thousand or 23.1% from that of the same period of last year.

The ratio of administrative expenses to net revenue was 34.6% for the six months ended 30 June 2016, as compared with 24.6% for the same period of last year.

For the six months ended 30 June 2016, administrative expenses decreased by RMB9,685 thousand as compared with that of the same period of last year, mainly due to a decrease of employee remuneration and benefits of RMB2,438 thousand from the same period of last year.

For the six months ended 30 June 2016, employee remuneration and benefits decreased by RMB2,438 thousand.

2.3 Net charge of impairment allowance

For the six months ended 30 June 2016, net charge of impairment allowance was RMB69,088 thousand (for the same period of last year: RMB44,702 thousand), comprised of individually assessed impairment allowance of RMB69,974 thousand and reverse of collectively assessed impairment allowance of RMB886 thousand.

Net charge of impairment allowance for the six months ended 30 June 2016 significantly increased mainly because additional impairment allowances were required to adequately reflect the 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 2016, the income tax expenses amounted to RMB(7,296) thousand, a decrease of 125.4% as compared with that of the same period of last year. The income tax expenses included a reversal of withholding tax amounting to RMB2,913 thousand (for the same period of last year: provision of withholding tax amounting to RMB4,980 thousand). Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China.

Even though it would not give rise to a present tax obligation of the Group before remitting the dividend abroad, the Group manages to control the dividend policies of its PRC subsidiaries and determined that no profit distribution is to be made by its PRC subsidiaries to foreign investors for the year 2015 and the first half of 2016.

2.5 Profit attributable to equity holders

For the six months ended 30 June 2016, profit attributable to equity holders was RMB3,257 thousand.

3. LOANS TO CUSTOMERS

3.1 Loan portfolios

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	Increase %
Gross loans to customers, inclusive of principal and interest (RMB'000)			
Loans secured by real estate collateral	**1,048,712**	1,059,644	(1.03%)
Loans secured by equity interest collateral	**537,123**	553,810	(3.01%)
Loans secured by personal property collateral	**39,655**	13,197	200.48%
Guaranteed loans	**285,746**	261,941	9.09%
Unsecured loans	**445,998**	321,082	38.90%
Total	**2,357,234**	2,209,674	6.68%
Number of loans outstanding			
Loans secured by real estate collateral	**97**	96	
Loans secured by equity interest collateral	**46**	52	
Loans secured by personal property collateral	**844**	798	
Guaranteed loans	**102**	178	
Unsecured loans	**97**	122	
Total	**1,186**	1,246	
Average loan amount (RMB'000)			
Loans secured by real estate collateral	**10,811**	11,038	
Loans secured by equity interest collateral	**11,677**	10,650	
Loans secured by personal property collateral	**47**	17	
Guaranteed loans	**2,801**	1,472	
Unsecured loans	**4,598**	2,632	

3.2 Loan classification and impairment allowances

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

	As at 30 June 2016		As at 31 December 2015	
	RMB'000 **(Unaudited)**	***Percentage***	*RMB'000* (Audited)	*Percentage*
Neither past due nor impaired	**988,390**	**41.93%**	1,150,290	52.06%
Past due but not impaired *(i)*	**1,005,744**	**42.67%**	850,137	38.47%
Individually impaired *(ii)*	**363,100**	**15.40%**	209,247	9.47%
Gross	**2,357,234**	**100.0%**	2,209,674	100.0%
Less: Impairment allowances *(iii)*	**(231,663)**	**9.83%**	(179,621)	8.13%
Net	**2,125,571**	**—**	2,030,053	—

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

As at 30 June 2016, loans that were past due but not impaired amounted to RMB1,005,744 thousand, including loans secured by real estate collateral of RMB851,534 thousand, representing 84.7%, and loans secured by equity interest collateral of RMB132,886 thousand, representing 13.2%. 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 2016 amounted to RMB363,100 thousand, with an estimated loss of RMB169,936 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 2016, the impairment allowance for pawn loans secured by real estate collateral, loans secured by equity interest collateral and entrusted loans amounted to RMB231,663 thousand, representing 9.83% 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 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loans secured by real estate collateral	**(38,755)**	(40,832)
Loans secured by equity interest collateral	**(158,542)**	(120,991)
Loans secured by personal property collateral	**—**	—
Guaranteed loans	**(27,425)**	(13,595)
Unsecured loans	**(6,941)**	(4,203)
	(231,663)	(179,621)

3.3 Loans under legal proceedings

As at 30 June 2016, among the loans to customers that were past due but not impaired, the Group was under legal proceedings in respect of the recovery of 23 loans, which were secured by real estate collateral and amounted to RMB154,875 thousand. No loss was expected to be incurred on such loans. The loans are fully secured by real estate collateral with a reasonably ascertainable market value and considered fully recoverable. Among the loans that were individually impaired, we have initiated legal proceedings for the recovery of 11 loans, which are secured by equity interest collateral and amounted to RMB131,078 thousand. Individually assessed impairment allowance of RMB58,457 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 dates:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Aggregate loan amount (RMB in millions)		
Real estate collateral	**1,048.7**	1,059.6
Equity interest collateral	**537.1**	553.8
Appraised value of collateral at time of pawn loan approval (RMB in millions)		
Real estate collateral	**1,509.9**	1,607.5
Equity interest collateral	**1,912.8**	1,916.8
Range of appraised pawn loan-to-value ratios		
Real estate collateral	**4%–70%**	14%–70%
Equity interest collateral	**2%–40%**	4%–50%
Weighted average appraised pawn loan-to-value ratio		
Real estate collateral	**57%**	57%
Equity interest collateral	**35%**	37%

5. TOTAL EQUITY AND CAPITAL MANAGEMENT

5.1 Total Equity

The total equity as at 30 June 2016 was RMB1,755,139 thousand, representing a decrease of RMB11,682 thousand or 0.66% as compared with that as at 31 December 2015. The decrease was due to the profit attributable to equity holders for the six months ended 30 June 2016 amounted to RMB3,257 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 2016 was 37.6%, as compared with 31.7% as at 31 December 2015.

6. BANK BORROWINGS AND PLEDGE OF ASSETS

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

	30 June 2016 Unaudited	31 December 2015 audited
Bank borrowings *(a)*	**846,257**	859,442
Interests of holders of consolidated SEs		
— Suzhou Qian Dai *(b)*	**269,551**	63,382
SME bonds issued *(c)*	**3,295**	27,748
	1,119,103	950,572

(a) Bank borrowings are due within one year. For the six months ended 30 June 2016, bank borrowings bear fixed interest rates ranging from 4.35% to 5.87% per annum (2015: ranging from 4.35% to 6.50%).

(b) As at 30 June 2016, bank borrowings with principal amount of RMB271,000 thousand were secured by the Group's restricted term deposits of US$48,014 thousand (equivalent to approximately RMB318,391 thousand) (31 December 2015: bank borrowings with principal amount of RMB267,000 thousand were secured by the Group's restricted term deposits of US$47,721 thousand (equivalent to approximately RMB309,880 thousand)).

As at 30 June 2016, bank borrowings with principal amount of RMB370,000 thousand are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (31 December 2015: RMB370,000 thousand). As at 30 June 2016, bank borrowings with principal amount of RMB60,000 thousand were guaranteed by Wuzhong Group (31 December 2015: RMB60,000 thousand).

As at 30 June 2016, bank borrowings with principal amount of RMB24,000 thousand were guaranteed by all shareholders of Dongshan Micro-finance (31 December 2015: RMB41,000 thousand).

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 2016, the Group had no undrawn borrowing facilities (31 December 2015: Same).

As at 30 June 2016, interest of holders of platform loans was borrowings from individuals investors through the P2P platform of Suzhou Qian Dai (31 December 2015: Same).

As at 30 June 2016, the loans funded by the above borrowings through Suzhou Qian Dai and guaranteed by Dongshan Micro-finance were consolidated by the Group amounted to RMB265,085 thousand (31 December 2015: RMB62,886 thousand).

(c) As at 30 June 2016, certain SME private placement bonds were issued to outside investors, whose funding was then used in the lending business to small and micro enterprises in Jiangsu Province. These bonds have a maturity within one year and bear fixed interest rates ranging from 9.3% to 10.00% per annum (2015: ranging from 9.3% to 10.00%).

As at 30 June 2016, all of those bonds were guaranteed by Jiang Su Jin Chuang Credit Re-guarantee Company (江蘇金創信用再擔保公司) (2015: Same).

7. CAPITAL EXPENDITURE

Our capital expenditure consists primarily of purchases of property, plant and equipment. Our capital expenditure was RMB1,210 thousand for the six months ended 30 June 2016, as compared with RMB427 thousand for the same period of last year.

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

On 30 May 2016, Huifang Tongda, the Group's wholly-owned subsidiary, established a wholly-owned subsidiary, Suzhou Huida Commercial Factoring Co., Ltd.* (蘇州匯達商業保理有限公司) ("**Huida Factoring**"). Huida Factoring has a registered capital of RMB50,000 thousand, in which RMB10,000 thousand has been paid up. The establishment of Huida Factoring by the Group is to specifically engage in the provision of trade financing services based on the transfer of account receivables.

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS, LIQUIDITY AND FINANCIAL RESOURCES

9.1 Contingencies

Save as the guarantees services disclosed in note 9.2(b), the Group did not have any significant contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

9.2 Commitments

(a) ***Operating lease 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 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
No later than 1 year	**4,631**	3,354
Later than 1 year and no later than 5 years	**6,486**	4,956
	11,117	8,310

(b) ***Guarantees commitments***

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Guarantees	**1,000**	1,060

9.3 Liquidity and Capital Resources

a. *Cash Flow Analysis*

As at 30 June 2016, the Group's cash and cash equivalents amounted to RMB688,857 thousand, representing an increase of RMB18,310 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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	**(166,707)**	(10,131)
Net cash outflow from investing activities	**(1,210)**	(427)
Net cash inflow/(outflow) from financing activities	**149,443**	(81,483)
Decrease in cash and cash equivalents	**(18,474)**	(92,041)
Exchange gains on cash and cash equivalents	**12,976**	—

Net Cash Flow from Operating Activities

During the Reporting Period, net cash outflow from operating activities amounted to RMB166,707 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 inflow from financing activities amounted to RMB149,443 thousand, mainly due to proceeds from borrowings of RMB853,302 thousand.

b. *Liquidity Risk*

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

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

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

	Repayable on demand or within 1 month	**1–6 months**	**6–12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited				
As at 30 June 2016				
Bank borrowings	102,565	538,199	510,894	1,151,658
Amounts due to related parties	1,230	—	—	1,230
Other financial liabilities	3,031	—	—	3,031
Total financial liabilities	106,826	538,199	510,894	1,155,919
Audited				
As at 31 December 2015				
Bank borrowings	88,629	655,112	295,980	1,039,721
Amounts due to related parties	684	—	—	684
Other financial liabilities	2,611	—	—	2,611
Total financial liabilities	91,924	655,112	295,980	1,043,016

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 2016, the Group had a total of 149 full-time employees, an increase by 23 from 126 as at 31 December 2015. The increase was mainly due to the further expansion of online P2P Lending business which required more human resource, and the establishment of Huida Factoring in the first half of the year. We will adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

For the six months ended 30 June 2016, employee remuneration and benefits decreased by RMB2,438 thousand to RMB13,900 thousand from the same period of last year.

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

11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

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

12. EVENTS AFTER REPORTING PERIOD

Save as disclosed in this announcement, no significant event has happened after 30 June 2016.

PROSPECTS

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

Small and medium-sized enterprises, which are our major customers, are directly exposed to the pressure of slower growth, slower turnover and upgrading and restructuring. The operations of some enterprises may be very difficult. Small and medium-sized enterprises are unwilling to make more investments despite the ample supply of funds in the market. We expect the market interest rate will continue to decline, which will bring more challenges to our operation.

Based on the factors mentioned above, we will further adjust and improve the Company's organizational structures and gradually establish and improve relevant functional departments according to the overall development requirements on transformation and innovation, so as to enhance our products and services continuously; we will push forward the development of our online financial service platform by operating the online P2P lending business on a regulated, safe and steady basis, so as to gradually shape the regional influences of Suzhou Qian Dai; we will emphasise the fundamental position of civilian goods pawn business in pawn industry by diversifying our civilian goods products, innovating business models and increasing total volume under controllable risks; we will also enrich and improve our service system of factoring business by focusing on market segmenting and operating in a steady manner to gradually build our Group into an integrated financing service provider.

DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 June 2016.

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 2016.

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied with all the applicable principles and code provisions of the CG Code during the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Specific enquiry has been made of all Directors, and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2016.

REVIEW OF INTERIM RESULTS

The audit committee of the Company together with the management of the Company have reviewed the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2016. In addition, the independent auditor of the Company has reviewed the unaudited interim results for the six months ended 30 June 2016 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2016 is published on the websites of the Stock Exchange (*www.hkexnews.hk*) and the Company (*www.cnhuirong.com*) respectively. The 2016 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and our Company in due course.

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

Suzhou, China, 26 August 2016

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

* *For identification purpose only*