



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

匯融

2016
INTERIM REPORT





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Yannan (*Chairman*)
Mr. Wu Min (*Chief Executive Officer*)
Mr. Zhang Changsong (*Chief Financial Officer*)

Non-executive Directors

Mr. Zhuo You
Ms. Zhang Shu
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

COMPANY SECRETARY

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

Suite 418, Beverley Commercial Centre
87–105 Chatham Road South
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

345 East Baodai Road, Suzhou
Jiangsu Province, the PRC

PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Corporate Information (Continued)

PRINCIPAL BANKS

Jiangsu Bank, Suzhou Branch
Suzhou Bank, Suzhou Branch

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

Mayer Brown JSM
Haiwen & Partners

COMPANY'S WEBSITE

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 2016 is set out as follows:

	Six months ended 30 June		Change %
	2016 RMB'000	2015 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 RMB'000	As at 31 December 2015 RMB'000	Change %
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

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.

Management Discussion and Analysis (Continued)

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)	743	36
Total number of lending business	169	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 Agricultural Microfinance Co., Ltd. ("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.

Management Discussion and Analysis (Continued)

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 Business tax and surcharges of RMB7,129 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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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	

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 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 RMB'000 (Unaudited)	31 December 2015 RMB'000 (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)

Management Discussion and Analysis (Continued)

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, respectively. 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. MARKET RISK

For details of market risk, please refer to the paragraph headed “5.1.2 Market risk” as set out at the section headed “Notes to the Interim Condensed Consolidated Financial Statements”.

Management Discussion and Analysis (Continued)

6. TOTAL EQUITY AND CAPITAL MANAGEMENT

6.1 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 combined effect of the profit of RMB12,326 thousand earned during the six months ended 30 June 2016 and the dividends relating to year 2015 of RMB24,008 thousand paid to non-controlling interests. The profit attributable to equity holders for the six months ended 30 June 2016 amounted to RMB3,257 thousand.

6.2 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.

7. BANK BORROWINGS AND PLEDGE OF ASSETS

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

	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 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).

Management Discussion and Analysis (Continued)

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 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).

8. 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.

9. 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.

10. CONTINGENCIES, CONTRACTUAL OBLIGATIONS, LIQUIDITY AND FINANCIAL RESOURCES

10.1 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).

10.2 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.

Management Discussion and Analysis (Continued)

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 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Guarantees	1,000	1,060

10.3 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 RMB'000 (Unaudited)	2015 RMB'000 (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.

Management Discussion and Analysis (Continued)

Net Cash Flow from Financing Activities

During the Reporting Period, net cash inflow from financing activities amounted to RMB149,443 thousand, mainly due to (i) dividends of RMB24,008 thousand paid to non-controlling interests; (ii) proceeds from borrowings of RMB853,302 thousand; and (iii) repayment of borrowings of RMB679,851 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) 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 RMB'000	1–6 months RMB'000	6–12 months RMB'000	Total 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.

Management Discussion and Analysis (Continued)

11. 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.

12. 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.

13. EVENTS AFTER REPORTING PERIOD

Save as disclosed in this report, 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.

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 2016.

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 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, 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	Interest in controlled corporation	Ordinary shares	65,000,000(L) (Note 2)	6.34%
Wu Min	Beneficial owner	Ordinary shares	640,000(L)	0.06%
Zhuo You	Interest in controlled corporation	Ordinary shares	39,000,000(L) (Note 3)	3.80%
Zhang Shu	Beneficial owner	Ordinary shares	300,000(L)	0.03%
Zhang Huaqiao	Beneficial owner	Ordinary shares	5,880,000(L)	0.57%

Notes:

- (L) represents long position.
- 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 2016, 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 2016, 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%
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 2016, no persons or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded 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 2016	Granted during the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding as at 30 June 2016
Directors					
Chen Yannan	3,800,000	—	—	3,800,000	0
Wu Min	3,800,000	—	—	3,800,000	0
Mao Zhuchun	2,400,000	—	—	2,400,000	0
Zhuo You	1,000,000	—	—	1,000,000	0
Cao Jian	1,000,000	—	—	1,000,000	0
Zhang Cheng	1,000,000	—	—	1,000,000	0
Zhang Huaqiao	2,000,000	—	—	2,000,000	0
Feng Ke	2,000,000	—	—	2,000,000	0
Tse Yat Hong	2,000,000	—	—	2,000,000	0
Subtotal	19,000,000	—	—	19,000,000	0
Employees					
Employees	31,000,000	—	—	31,000,000	0
Total	50,000,000	—	—	50,000,000	0

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 2016.

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 2016.

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 2016.

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. Mao Zhuchun has resigned as an executive Director and chief financial officer of the Company, since 1 January 2016.

Mr. Zhang Changsong has been appointed as an executive Director and chief financial officer of the Company, since 1 January 2016.

Mr. Cao Jian has resigned as a non-executive Director of the Company, since 18 March 2016.

Ms. Zhang Shu has been appointed as a non-executive Director of the Company, since 18 March 2016.

Other Information (Continued)

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 of the Audit Committee, 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 2016 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 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 HKICPA.

DIVIDEND

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

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 information set out on pages 24 to 58, 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 2016 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 information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial information 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 information 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 information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2016

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Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 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		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		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

The notes on pages 29 to 58 are an integral part of these financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	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

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2016 RMB'000 Unaudited	As at 31 December 2015 RMB'000 Audited
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

The notes on pages 29 to 58 are an integral part of these financial information.

The financial information were approved by the Board of the Company on 26 August 2016 and signed on its behalf.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Unaudited							
	Attributable to the equity holders of the company						Non-controlling Interests	Total equity
	Note	Share Capital	Share premium	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2016		8,111	548,237	578,319	418,078	1,552,745	214,076	1,766,821
Comprehensive income								
Profit for the period		—	—	—	3,257	3,257	9,069	12,326
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income for the period		—	—	—	3,257	3,257	9,069	12,326
Distribution of dividends relating to year 2015		—	—	—	—	—	(24,008)	(24,008)
Total transactions with owners, recognised directly in equity		—	—	—	—	—	(24,008)	(24,008)
As at 30 June 2016		8,111	548,237	578,319	421,335	1,556,002	199,137	1,755,139
As at 1 January 2015		8,111	592,720	556,713	342,569	1,500,113	—	1,500,113
Comprehensive income								
Profit for the period		—	—	—	56,036	56,036	—	56,036
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income for the period		—	—	—	56,036	56,036	—	56,036
Distribution of dividends relating to year 2014		—	(44,483)	—	—	(44,483)	—	(44,483)
Value of employee services		—	—	4,338	—	4,338	—	4,338
Total transactions with owners, recognised directly in equity		—	(44,483)	4,338	—	(40,145)	—	(40,145)
As at 30 June 2015		8,111	548,237	561,051	398,605	1,516,004	—	1,516,004

The notes on pages 29 to 58 are an integral part of these financial information.

Interim Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Profit before income tax		5,030	84,793
Adjustments for:			
Interest expense	8	29,322	25,642
Net charge of impairment allowance on loans to customers	18(c)	69,088	44,702
Depreciation and amortization	9	365	518
Net foreign currency gains	11	(12,976)	—
Share-based payments		—	4,338
		90,829	159,993
Change in operating assets and liabilities:			
— Other assets		1,296	(239)
— Loans to customers		(164,606)	(199,424)
— Term deposits with banks		(23,808)	103,910
— Other liabilities		(4,832)	(4,437)
— Amounts due to related parties	25(c)	546	454
		(100,575)	60,257
Cash (used in)/generated from operating activities		(100,575)	60,257
Interest paid		(34,242)	(25,785)
Income tax paid		(31,890)	(44,603)
		(166,707)	(10,131)
Net cash outflow from operating activities		(166,707)	(10,131)
Cash flows from investing activities			
Purchases of property, plant and equipment		(640)	(217)
Purchases of intangible assets		(570)	(210)
		(1,210)	(427)
Net cash outflow from investing activities		(1,210)	(427)
Cash flows from financing activities			
Dividends paid to non-controlling interests		(24,008)	—
Dividends paid to equity holders of the Company		—	(44,483)
Proceeds from borrowings		853,302	378,000
Repayments of borrowings		(679,851)	(415,000)
		149,443	(81,483)
Net cash inflow/(outflow) from financing activities		149,443	(81,483)
Net decrease in cash and cash equivalents		(18,474)	(92,041)
Cash and cash equivalents at beginning of the period		65,946	186,359
Exchange gains on cash and cash equivalents	12	12,976	—
		60,448	94,318
Cash and cash equivalents at end of the period	19	60,448	94,318

The notes on pages 29 to 58 are an integral part of these financial information.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

(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. The 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. Upon the restructuring, 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 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. (“**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 29 to 58 have been approved and authorised for issue by the board of directors (the “**Board**”) of the Company on 26 August 2016.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2016 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 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 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 information. 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 interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (Continued)

(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 consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (Continued)

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

Standards	Key requirements	Effective from financial years starting on or after
HKFRS 9	<p>HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.</p> <p>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.</p> <p>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.</p>	1 January 2018
HKFRS 16	<p>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.</p>	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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(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)

(a) *Credit risk mitigation policies*

The Group employs a range of policies and practices to mitigate credit risk.

For collateral-backed 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 loans, the Group introduces other credit enhancement measures for equity interest backed 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(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

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 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
Loans to customers, gross		
Collateral-backed loans	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		
Collateral-backed loans	(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 loans are not individually significant so as to warrant an individual assessment.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(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)

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 RMB'000 Unaudited	31 December 2015 RMB'000 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 a 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: RMB1,060 thousand).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(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:

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 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. Unsecured loans are also included in this category as none of them is past due or impaired as at 30 June 2016 (31 December 2015: nil).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(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. No impairment allowance is considered 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 loans and guaranteed loans, there have been no significant changes in the customers' and third party guarantors' credit quality and the balances are considered fully recoverable. Gross amount of loans to customers that are past due but not impaired is analysed by aging as follows:

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(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

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 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 (2015: 37.3 %).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

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 interest rate risk arising from loans to customers, bank balances and bank borrowings. The Group has established policies and procedures for monitoring and managing market risk.

(a) Interest rate risk

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

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

Based on the simulations performed and with other variables held constant, should the benchmark interest rate had been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB2,655 thousand for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 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 other interest-bearing financial assets, mainly loans to customers, are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(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)

(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 totaling 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 US dollar 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: lower/higher 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, the Group 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, expecting to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(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)

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

	Repayable on demand or within 1 month RMB'000	1-6 months RMB'000	6-12 months RMB'000	Total RMB'000
Unaudited				
As at 30 June 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 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 2016

(All amounts in RMB thousands unless otherwise stated)

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 RMB'000	2015 RMB'000
Interest income from loans to customers		
Real estate backed loans	50,430	98,256
Equity interest backed loans	19,996	70,713
Unsecured loans	20,014	12,697
Guaranteed loans	17,735	—
Personal property and inventory backed loans	7,092	4,863
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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

8 INTEREST EXPENSE

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 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 RMB'000	2015 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%).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

10 ADMINISTRATIVE EXPENSES

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 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 amortization	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. Starting 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 RMB'000	2015 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

12 OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 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 RMB'000	2015 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 RMB'000	2015 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

13 INCOME TAX EXPENSE (Continued)

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 rate is 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

14 EARNINGS PER SHARE (Continued)

(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 of defined by the release date of this report.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

16 DEFERRED INCOME TAX

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

	Tax on impairment charge on loans to customers RMB'000	Recoverable tax losses RMB'000	Total RMB'000
Deferred income tax assets			
Unaudited			
Opening balance at 1 January 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

16 DEFERRED INCOME TAX (Continued)

	PRC withholding tax (Note 13) RMB'000	Total RMB'000
Deferred income tax liabilities		
Unaudited		
Opening balance at 1 January 2016	2,913	2,913
Charged 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

18 LOANS TO CUSTOMERS

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
Loans to customers, gross		
Collateral backed loans	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		
— 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: ranging from 12.00% to 37.99%).

Guaranteed loans granted to customers bear fixed interest rates 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 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 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).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

18 LOANS TO CUSTOMERS (Continued)

(c) Net charge on loans to customers

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 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 RMB'000 Unaudited	31 December 2015 RMB'000 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

19 CASH AT BANK AND ON HAND (Continued)

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

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 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 determined as follows:

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 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 RMB318,391 thousand (31 December 2015: 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 HK\$	Ordinary shares RMB
Issued and fully paid:			
As at 30 June 2016 and 31 December 2015	1,025,237,000	HK\$10,252,370	8,111,008

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

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).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

22 BORROWINGS (Continued)

- (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 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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

24 COMMITMENTS (Continued)

(b) Guarantees commitments

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 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 exercise significant influence over the other party in making financial and operating decisions of the Group. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member are also considered as related parties.

(a) Name and relationship with related parties

Names of related parties	Nature of relationship
Wuzhong Jiaye Wuzhong Group	Direct equity holder of Wuzhong Pawnshop 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:

	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2016

(All amounts in RMB thousands unless otherwise stated)

25 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 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:

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
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

Definitions

In this 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 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.* (蘇州新區恒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

Definitions (Continued)

“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 Commerce of Suzhou, Jiangsu
“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 Commerce 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
“Reporting Period”	For the six months ended 30 June 2016

Definitions (Continued)

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

In this 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.

* For identification purpose only

Glossary

The glossary contains explanations of certain terms and definitions used in this 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%