You should read the following discussion and analysis in conjunction with the financial information as of and for the years ended 31 December 2010, 2011 and 2012, and in the six months ended 30 June 2013, together with the notes thereto included as Appendix I to this prospectus. The financial information is prepared in conformity with the HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the whole of the Accountant's Report included as Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections headed "Risk Factors" and "Business" and elsewhere in this prospectus.

OVERVIEW

We are a leading short-term financing service provider in China in terms of approved registered capital, according to the Euromonitor Report. Our primary business is granting short-term loans secured by collateral to our customers, mainly SMEs and individual business owners in the Greater Suzhou Area. As of the Latest Practicable Date, our PRC Operating Entity had approved registered capital of RMB500 million. According to the Euromonitor Report, the approved registered capital of our PRC Operating Entity accounted for approximately 5.8% of the total approved registered capital of all pawn loan service providers in Jiangsu Province, and was more than 20 times the average approved registered capital of all pawn loan providers in Jiangsu Province, in each case as of 31 December 2012. We are the largest short-term secured financing provider specialising in pawn loan services in the Greater Suzhou Area, in terms of number of branches and pawn loan value as of 30 June 2013, according to the same report. In addition, the approved registered capital of our PRC Operating Entity accounted for approximately 23.8% of the total approved registered capital of pawn loan service providers in the Greater Suzhou Area as of 31 December 2012.

We generate substantially all our interest income by charging loan interest and composite administrative fees for the loans we grant. The monthly interest we charge on a loan is set based on the prevailing PBOC Benchmark Interest Rate for six-month loans. The monthly composite administrative fee we charge on a loan is individually negotiated with customers and typically calculated as a percentage of the loan principal amount. The increase in demand for short-term loans and the increases in our approved registered capital have enhanced our pricing power in recent years. Our net interest income was RMB57.1 million, RMB120.1 million and RMB186.4 million in the years ended 31 December 2010, 2011 and 2012, and RMB106.5 million and RMB111.0 million in the six months ended 30 June 2012 and 2013, respectively. Our return on average equity was 13.9%, 20.6%, 20.1% and 20.2% in the years ended 31 December 2010, 2011 and 2012 and in the six months ended 30 June 2013, respectively. Our return on average assets was 7.0%, 10.2%, 12.0% and 13.9% in the years ended 31 December 2010, 2011 and 2012 and in the six months ended 30 June 2013, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic Environment of China, Jiangsu Province and the Greater Suzhou Area

Our results of operations and financial condition are significantly affected by China's economic conditions. China has experienced rapid economic growth over the past three decades as a result of the PRC Government's extensive economic reforms. According to the Euromonitor Report, China's per-capita nominal GDP grew from RMB23,708 in 2008 to RMB38,354 in 2012, representing a CAGR of 12.8%.

The growth of China's economy has led to increased SME activities and investments, which has benefited the short-term secured financing industry. In particular, SMEs have been a major driver of the economic growth in China in recent years. For example, according to the Euromonitor Report, in the industrial sector, the number of above-set-scale SMEs increased from 299,000 in 2005 to 449,000 in 2010, representing a CAGR of 8.5%. In 2011, above-set-scale SMEs accounted for 97.2% of the total numbers of above-set-scale enterprises in the industrial sector, and contributed 58.4% of the total industry value added of the above-set-scale enterprises in the industrial sector. These SMEs have an aggregate of 59.3 million employees, which accounted for 64.7% of the total employees of above-set-scale industrial enterprises. During the first three quarters of 2010, the pawn loan industry provided loans in the amount of RMB10.1 billion to SMEs, accounting for 82% of the total pawn loans granted during the same period, according to the Euromonitor Report. SMEs present growth opportunities for alternative financing industries such as short-term secured financing which provide SMEs with quick and convenient access to financing to meet their immediate financing needs. SMEs that wish to expand look to companies such as ours to help finance their businesses. Conditions in the PRC economic environment also impact rates of payment delinquency, default ratio and the values of collateral securing the loans we grant. In addition, as many of our loans are secured by real estate in China, the value of such collateral is significantly affected by changes in conditions in the real estate markets in China.

We operate in the Greater Suzhou Area and our results of operations are affected by the economic conditions of the Greater Suzhou Area and Jiangsu Province. Jiangsu Province is one of the most economically developed provinces in China. According to the National Bureau of Statistics of China, Jiangsu Province's nominal GDP was RMB5.4 trillion in 2012 and ranked second among China's provinces. Jiangsu Province has a developed private economy. According to the Euromonitor Report, contribution by self-employed individuals and private enterprises to the production value of non-state owned enterprises has steadily increased in recent years, from 37.1% in 2008 to 41.7% in 2012. During the same period, the number of private enterprises in Jiangsu Province increased from approximately 1.0 million to 1.3 million. Suzhou is the most economically developed region in Jiangsu province. According to the Euromonitor Report, in 2012 the Greater Suzhou Area attributed 22.2% to the nominal GDP of Jiangsu province. The nominal GDP per capita is RMB185,419 in the Greater Suzhou Area in 2012, 2.71 times as that of Jiangsu province. The Greater Suzhou Area also has one of the fastest growing SME sectors in Jiangsu Province. Our continued growth depends on the economic growth in the Greater Suzhou Area and Jiangsu Province in general, and the growth and development of SMEs in these areas in particular. See "Risk Factors — Risks Relating to Conducting Operations in China — Any slowdown in the Chinese economy may affect the industries in which we operate and result in a material adverse effect on our business, results of operations and financial condition" in this prospectus.

Approved Registered Capital and Other Funds Available for Lending

The amount of capital available to our short-term secured financing operation is directly restricted by the size of the approved registered capital of the PRC Operating Entity pursuant to the Pawning Measures. Our primary sources of capital from which we allocate loans to our customers include paid-in capital, bank borrowings, retained earnings and statutory reserve of the PRC Operating Entity. Pursuant to the Pawning Measures, the total outstanding amount of bank borrowings the PRC Operating Entity can incur may not exceed its total equity as stated in its annual financial report of the previous financial year, which consists primarily of paid-in capital of the PRC Operating Entity, retained earnings and statutory reserve as stated in its financial statements of the previous fiscal year.

The amount of the approved registered capital of the PRC Operating Entity also limits the scope of our operations in other aspects. Pursuant to the Pawning Measures, our aggregate outstanding loan amount secured by real estate and equity interest collateral may not exceed 100% and 50% of the approved registered capital of the PRC Operating Entity, respectively. Moreover, the aggregate loan amount to a single customer that we can grant may not exceed 25% of the approved registered capital of the PRC Operating Entity and the maximum principal amount of any single loan secured by real estate collateral that we can grant may not exceed 10% of the approved registered capital of the PRC Operating Entity.

As a result, in order to expand the size of our operations we need to increase the approved registered capital of the PRC Operating Entity from time to time, which increase has to be approved by the relevant commercial department at the provincial level and MOFCOM pursuant to the Pawning Measures. Since 2005, we have obtained approvals from relevant government authorities for four registered capital increases, from RMB5 million at the inception of our business to RMB500 million as of the Latest Practical Date. The following table sets forth the approved registered capital of the PRC Operating Entity and the number of our branches as of the indicated dates:

	As of 1 January				As of 30 June
	2010	2011	2012	2013	2013
Approved registered capital (RMB'000)	121,000	250,000	250,000	500,000	500,000
Branches	5	7	9	11	11

Our ability to continue to grow our business depends on whether we can obtain timely approval to increase the approved registered capital of the PRC Operating Entity. When evaluating an application from a short-term secured financing service provider to increase its approved registered capital, MOFCOM and the relevant commercial department at the provincial level take into consideration a number of factors, such as operating history, profitability, market share and growth potential.

Interest Rate Environment

Our results of operations are directly affected by the difference between the effective interest we charge on the loans we grant to customers and the interest expense we incur in financing our business. Pursuant to the Pawning Measures, for each loan we grant, the fee we can charge on a loan consists of a loan interest and a composite administrative fee. The monthly loan interest is set based on the prevailing PBOC Benchmark Interest Rate for six month loans, and the monthly composite administrative fee for a short-term loan secured by real estate and equity interest collateral may not exceed 2.7% and 2.4% of the principal amount of the loan, respectively. The composite administrative fee of a loan is individually negotiated with the customer and typically calculated as a percentage of the loan principal amount. We reach an agreement with a loan applicant on the respective composite administrative fee based on market conditions and our risk and return assessment of the loan, taking into consideration the applicant's economic status, risk profile and the type and appraised value of the collateral pledged.

Due to continued economic growth in China and the increase in the number and size of SMEs in the Greater Suzhou Area, demand for short-term financing through channels alternative to bank loans has continued to grow in recent years. Such increase in demand has resulted in an increase in our pricing power and enabled us to charge composite administrative fee rates that are increasingly more favourable to us. The annualised average composite administrative fee rate we charged on loans secured by real estate collateral was 14.00%, 17.30%, 24.55% and 25.88% in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. The annualised average composite administrative fee rate we charged on loans secured by equity interest collateral was 11.50%, 17.60%, 25.80% and 28.08% in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively. For more details, see "Business — Short-term Secured Financing Business — Pricing and Interest Charged" in this prospectus. Our gross loan yield was 17.0%, 22.5%, 30.6% and 32.7% on an annualised basis in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively.

In addition, our net interest income is impacted by our interest expense, which is largely determined by the interest that we pay for our interest-bearing bank borrowings. Currently, RMB-denominated loans by commercial banks are subject to minimum rates based on the PBOC Benchmark Interest Rates. The interest rates on our bank borrowings are usually determined based on the PBOC Benchmark Interest Rate as of the effective dates of the loan agreements, and are fixed during the terms of the loans. In recent years, as part of the overall reform of the banking system, PBOC has implemented a series of initiatives designed to gradually liberalise interest rates and move towards a more market-based interest rate regime. The PBOC Benchmark Interest Rates are thus subjected to many factors over which we have no control, including the regulatory framework and monetary policies of the banking and financial sectors in the PRC, and domestic and international economic and political conditions. Adjustments to PBOC Benchmark Interest Rates impact the average market interest rates for loans, which in turn affect the composite administrative fees we charge on the loans we grant. Conversely, although interest rates on our bank borrowings are not affected by the adjustments to PBOC Benchmark Interest Rates during the term of such bank borrowings, our net profit margin is affected by our ability to adjust in a timely manner the fees we charge on the loans we grant to customers in response to such adjustment.

Changes in China's macroeconomic policy, monetary policy and interest rate policy could have adverse effects on our business and on demand for pawn loans. For instance, on 7 June 2012, the PBOC announced the first interest rate cut since 2008 as well as other measures granting banks more autonomy over lending and deposit rates. A further rate cut was announced on 6 July 2012. Such rate cuts and policy changes could make ordinary bank loans more accessible and appealing to SMEs and other borrowers, making pawn loans less competitive, which could reduce demand for our loans or force us to reduce our interest rates in order to maintain competitive. See "Risk Factors — Risks Relating to Our Business — Interest rate changes may adversely affect interest expense related to our borrowings, reduce net interest income and reduce demand for our financing services" in this prospectus.

Credit Risk and Provision Policy

Our results of operations and financial position are affected by the credit risk associated with our loans to customers and the financial conditions of our customers. We prepare our financial statements in accordance with HKFRS and assess our impairment on our loans based on loan quality on an individual and a collective basis. Impairment allowance is reported as a deduction from the carrying value of the loans receivable and recognised separately in the income statement as impairment charge for credit losses. We had impairment allowances of RMB5.8 million, RMB4.3 million, RMB6.5 million and RMB4.5 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, representing 1.0%, 0.7%, 0.9% and 0.6% of the gross amount of our loans to customers as of the corresponding dates. As a result of our initiatives to improve our risk management and internal control and the quality of our loan portfolio, our impaired loan ratio, was 0.3%, 0.2%, 0.6% and 0.1% as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

Our impairment allowance may prove to be inadequate if unanticipated changes occur in the PRC economy, in particular in sectors populated by SMEs, or if other events affect specific customers, industries or markets. Under such circumstances, we may need to take additional impairment charges on our loans, which could significantly impact our profitability, financial condition, results of operations and growth prospects. We have implemented a risk control policy that is designed to effectively reduce various aspects of the credit risks we face and is tied to our loan approval, collateral appraisal and collateral disposal policies. For details of our various policies that assist us in maintaining loan quality, see " — Description of Certain Line Items in the Consolidated Statements of Financial Position — Loans to Customers — Impairment allowance" and "Our Business — Risk Management" in this prospectus.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Immediately prior to and following the Reorganisation, there is no change in our operations and our ultimate shareholders. Our operations have been and will continue to be conducted primarily through the PRC Operating Entity. The Company and its other subsidiaries were not involved in any business before the Reorganisation. The Reorganisation involved primarily the incorporation of the Company and its subsidiaries as holding companies for Listing purposes. Accordingly, the reorganisation is accounted for using the accounting principle which is similar to that of a reverse acquisition. Our consolidated financial statements have been prepared on a consolidated basis and are presented using the carrying values of the assets, liabilities and operating results for the Track Record Period of the Company and its subsidiaries, including the PRC Operating Entity.

The principal accounting policies applied in the preparation of the financial statements of the Accountant's Report are set out in "Appendix I — Summary of Significant Accounting Policies" in this prospectus. These policies have been consistently applied to all the years presented, unless otherwise stated.

The principal accounting policies applied in the preparation of the financial statements which are in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants are set out below. Our financial statements have been prepared under the historical cost convention.

The preparation of our financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are described under "— Critical Accounting Estimates and Judgments" in this prospectus.

Subsidiary from Reorganisation

Huifang Tongda, a wholly owned subsidiary of ours, has entered into a series of Contractual Agreements with the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the equity holders of Wuzhong Jiaye and Hengyue Consulting, which enables us to:

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

We do not have any equity interest in the PRC Operating Entity. However, as a result of the Contractual Agreements, we control the PRC Operating Entity and are considered to be the primary beneficiary of its results, assets and liabilities. Consequently, we regard the PRC Operating Entity as an indirect subsidiary under HKFRS. We have included the financial position and results of the PRC Operating Entity in the consolidated financial statements during the Track Record Period.

Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the consolidated statements of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, we estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Financial Assets

(a) *Classification*
We classify our financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. Management determines the classification of its investments at initial recognition. For more information on the classification of financial assets, see note 2.4(a) to the Accountant's Report included as Appendix I to this prospectus.

(b) *Recognition and Measurement*
Loans and receivables are initially recognised at fair value which is the cash given to originate the loans including any transaction costs, and measured subsequently at amortised cost using the effective interest method.

Interest income we receive on loans we grant is included in the consolidated statements of comprehensive income and is reported as interest income. In the case of an impairment, it is reported as a deduction from the carrying value of the loan and recognised separately in the consolidated statements of comprehensive income as impairment charge for credit losses.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where we have transferred substantially all risks and rewards of ownership.

Impairment of Financial Assets
We assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, or a loss event, and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that we use to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;

- Deterioration in the value of collateral; and
- Filing of a lawsuit against the borrower.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and six months; in exceptional cases, longer periods are warranted.

We first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, we include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statements of comprehensive income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of our grading process that considers collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets because they are indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). We review methodology and assumptions used for estimating future cash flows regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statements of comprehensive income.

Financial Liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value. For more details on accounting policies on financial liabilities, see note 2.6 to the Accountant's Report included as Appendix I to this prospectus.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Critical Accounting Estimates and Judgments

Our financial statements and financial result are influenced by accounting policies, assumptions, estimates and management judgments, which necessarily have to be made in the course of preparation of the financial statements.

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

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

(a) *Impairment Allowances on Loans to Customers*

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

(b) *Income Taxes*

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

(c) *Contractual Arrangements*

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive income for the indicated periods:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
			RMB'000		
				(unaudited)	
Interest income	66,552	136,228	208,460	120,108	119,563
Interest expense	(9,450)	(16,160)	(22,050)	(13,586)	(8,586)
Net interest income	**57,102**	**120,068**	**186,410**	**106,522**	**110,977**
Other operating income, net	1,050	1,462	796	90	115
Net revenue	**58,152**	**121,530**	**187,206**	**106,612**	**111,092**
Administrative expenses	(16,554)	(32,599)	(53,320)	(32,785)	(24,377)
(Net charge)/reversal of impairment allowance on loans to customers	(2,831)	548	(2,183)	(558)	(1,066)
Other gains, net	115	25	43	(37)	374
Profit before income tax	**38,882**	**89,504**	**131,746**	**73,232**	**86,023**
Income tax expense	(9,855)	(23,495)	(35,705)	(20,363)	(22,046)
Profit attributable to equity holders	**29,027**	**66,009**	**96,041**	**52,869**	**63,977**

DESCRIPTION OF CERTAIN LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Interest Income

We generate substantially all our income from interest income from short-term secured loans granted to our customers. The fees we charge on loans consists of loan interest and composite administrative fees. Our loan interest rates are generally set based on the prevailing PBOC Interest Rates for six-month loans. Our composite administrative fee rates are individually negotiated and are subject to statutory limitations as set forth in the Pawning Measures. The following table sets forth the contribution (before business taxes and surcharges) to our interest income from each of (i) loans secured by real estate collateral; (ii) loans secured by equity interest collateral; (iii) loans secured by personal property collateral; (iv) a related party; and (v) bank deposits for the indicated periods:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Interest income from:										
Loans secured by real estate collateral	27,038	40.6	61,908	45.4	122,551	58.8	71,595	59.6	71,823	60.1
Loans secured by equity interest collateral	34,690	52.1	68,384	50.2	77,093	37.0	44,577	37.1	41,480	34.7
Loans secured by personal property collateral	4,779	7.2	5,351	3.9	7,182	3.4	3,780	3.2	4,471	3.7
A related party[(1)]	12	<0.1	494	0.4	—	—	—	—	—	—
Bank deposits	33	<0.1	91	<0.1	1,634	0.8	156	0.1	1,789	1.5
Total	66,552	100	136,228	100	208,460	100	120,108	100	119,563	100

Note:

(1) Interest income from a related party was generated from funds we deposited with Wuzhong Jiaye. Historically Wuzhong Group implemented an internal policy that all unutilised funds of each entity within Wuzhong Group should be deposited in a designated account to facilitate Wuzhong Group's overall management of funds. Wuzhong Jiaye paid us variable interest based on the market rates of seven-day call deposit. As advised by the Company's PRC Legal Adviser, such funds deposited with Wuzhong Jiaye did not violate any applicable laws and regulations. Pursuant to our internal control policy currently in place, all funds advanced to Wuzhong Jiaye were returned as of the Latest Practicable Date and the Directors do not expect to make such deposits in the future.

For a period-to-period analysis of the material trends in interest income generated from loans secured by real estate collateral and equity interest collateral, please see " — Results of Operations — Six Months Ended 30 June 2013 Compared With Six Months Ended 30 June 2012", " — Results of Operations — Year Ended 31 December 2012 Compared With Year Ended 31 December 2011", and " — Results of Operations — Year Ended 31 December 2011 Compared With Year Ended 31 December 2010".

Interest income generated from loans to customers consists of composite administrative fees and loan interest. We generated income from composite administrative fees of RMB51.8 million, RMB107.8 million and RMB172.1 million in the years ended 31 December 2010, 2011 and 2012, respectively, accounting for 77.9%, 79.5% and 83.2% of our total interest income from loans to customers for the corresponding years. The increase in interest income from composite administrative fees and its percentage of total interest income from loans to customers was primarily due to the increase in the maximum loan amount we can grant to customers and the increase of our pricing power during the Track Record Period. We generated income from loan interest of RMB14.7 million, RMB27.9 million and RMB34.7 million in the years ended 31 December 2010, 2011 and 2012, respectively, accounting for 22.1%, 20.5% and 16.8% of the total interest income from loans to customers for the corresponding years. The increase in interest income generated from loan interest was primarily due to the increase in total loan amount we granted to customers during the Track Record Period, mainly as a result of the increases in our registered capital. The decrease in percentage was due to the increase in our pricing power and the resulting enhancement of our ability to charge higher composite administrative fee rates. For more details, see "Business — Short-term Secured Financing Business — Pricing and Interest Charged" in this prospectus. We generated income from composite administrative fee of RMB99.5 million and RMB98.5 million in the six months ended 30 June 2012 and 2013, respectively, accounting for 82.9% and 83.6% of our total interest income from loans to customers for the corresponding periods. We generated income from loan interest of RMB20.5 million and RMB19.3 million in the six months ended 30 June 2012 and 2013, respectively, accounting for 17.1% and 16.4% of our total interest income from loans to customers for the corresponding periods. The 1.0% and 5.5% decreases in the amounts of composite administrative fees and loan interest, respectively, in the six months ended 30 June 2013 compared to the six months ended 30 June 2012 were primarily due to our focus on increasing overall profit margin rather than the size of our loan portfolio. For more details, see "— Results of Operations — Six Months Ended 30 June 2013 Compared with Six Months Ended 30 June 2012".

Interest Expense

Our interest expense consists of interest expense on bank borrowings and interest expense to related parties.

Interest expense on bank borrowings represented interest we paid on bank borrowings from the Bank of Jiangsu and the Bank of Suzhou during the Track Record Period. Pursuant to the relevant loan agreements, the interest rates charged for our bank borrowings are set based on PBOC Benchmark Interest Rates on the effective dates of the loan agreements, and are fixed during the terms of the loans.

Interest expense to a related party represented interest we paid on loans borrowed from Wuzhong Jiaye during the Track Record Period. In the years ended 31 December 2010 and 2011, we borrowed certain funds from Wuzhong Jiaye in addition to our bank borrowings to satisfy our increasing financing needs as we increased the scale of our business. The loans were granted to us at arm's-length and bore a variable interest rate based on the market rates of six-month bank loans. Such loans were not in compliance with the provision of the Pawning Measures that prohibits a pawn loan provider from taking loans from entities other than commercial banks, and may subject us to potential penalties imposed by the competent government authorities. For more details, see "Business — Legal Proceedings and Compliance — Historical Non-compliance" in this prospectus. The Directors do not expect to enter into any loan transactions with Wuzhong Jiaye or other related parties going forward. Accordingly, all such loan activities have been discontinued and will not recur after Listing.

The following table sets forth our interest expenses and their respective percentages as to the total interest expenses for the indicated periods:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Interest expense on bank borrowings	6,283	66.5	15,544	96.2	22,050	100	13,586	100	8,586	100
Interest expense to a related party	3,167	33.5	616	3.8	—	—	—	—	—	—
Total	**9,450**	**100**	**16,160**	**100**	**22,050**	**100**	**13,586**	**100**	**8,586**	**100**

Our interest expense was RMB9.5 million, RMB16.2 million and RMB22.1 million in the years ended 31 December 2010, 2011 and 2012, and RMB13.6 million and RMB8.6 million in the six months ended 30 June 2012 and 2013, respectively, representing 14.2%, 11.9%, 10.6%, 11.3% and 7.2% of the interest income for the corresponding periods.

Other Operating Income, Net

Our net other operating income consists primarily of proceeds from disposal of personal property and real estate collateral net of outstanding loan amounts secured by such collateral and disposal costs. Our net other operating income was RMB1.1 million, RMB1.5 million and RMB0.8 million in the years ended 31 December 2010, 2011 and 2012, and RMB0.1 million and RMB0.1 million in the six months ended 30 June 2012 and 2013, respectively, representing 1.8%, 1.2%, 0.4%, 0.1% and 0.1% of the net revenue for the corresponding periods.

Administrative Expenses

The following table sets forth our administrative expenses for the indicated periods:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
			RMB'000		
				(unaudited)	
Professional and consultancy fee	630	7,410	15,581	12,126	2,974
Business tax and surcharges	3,673	7,572	15,287	9,992	7,027
Value-added tax and surcharges	—	—	960	—	3,674
Employee benefit expenses	4,557	7,132	12,270	5,568	6,188
Operating lease payments	1,506	1,547	2,200	1,016	1,188
Transportation, meal and accommodation	2,276	2,117	2,194	1,205	781
Depreciation and amortisation	1,028	2,051	1,774	1,087	752
Telephone, utilities and office expenses	1,849	2,617	1,263	714	380
Auditors' remuneration	46	595	699	160	720
Advertising costs	157	306	373	243	62
Other expenses	832	1,252	719	674	631
	16,554	32,599	53,320	32,785	24,377

Our administrative expenses were RMB16.6 million, RMB32.6 million and RMB53.3 million in the years ended 31 December 2010, 2011 and 2012, and RMB32.8 million and RMB24.4 million in the six months ended 30 June 2012 and 2013, respectively, representing 28.5%, 26.8%, 28.5%, 30.8% and 21.9% of net revenue for the corresponding periods. The increase in administrative expenses from the year ended 31 December 2010 to the year ended 31 December 2011 was primarily due to the expansion of our business resulting from the increase of our approved registered capital and the increase in the number of our branch offices. The decrease in administrative expenses as a percentage of net revenue from the year ended 31 December 2010 to the year ended 31 December 2011 was primarily due to the increase in our revenue during the Track Record Period and improvements in our operational efficiency through continued employee training and implementation of centralised fund management, while we increased the scale of our business. For more details on our centralised fund management, see "Business — Risk Management — Liquidity Risk Management" in this prospectus. The increase in amount and as a percentage of net revenue in the year ended 31 December 2012 and the decrease in amount and as a percentage of net revenue from 30 June 2012 to 30 June 2013 were primarily due to the higher professional and consultancy fees we incurred in 2012 in connection with the Global Offering.

Expenses relating to the Global Offering

The listing expenses in connection with the Global Offering consist primarily of underwriting commission and professional fees, and are estimated to be approximately RMB66.8 million. During the Track Record Period, we incurred listing expenses of RMB36.8 million, of which RMB25.8 million was charged to our consolidated statements of comprehensive income during the Track Record Period, while the remaining amount of RMB11.0 million was recorded as deferred listing expenses and will be subsequently charged to equity upon completion of the Global Offering. For the six months ending 31 December 2013, we estimate we will further incur underwriting commission and other listing expenses of approximately RMB30 million, which will be charged to equity upon completion of the Global Offering.

Impairment Charge on Loans to Customers

Impairment charge on loans to customers consists of individually assessed impairment charges and collectively assessed impairment charges. The following table sets forth the contribution of each type of impairment charge for the indicated periods:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
			RMB'000		
				(unaudited)	
Impairment loss recognised	1,562	799	3,158	1,588	192
Net write-back of loan provision	—	—	(527)	(527)	(550)
Individually assessed impairment charge/(reversal)	1,562	799	2,631	1,061	(358)
Collectively assessed impairment charge/(reversal)	1,269	(1,347)	(448)	(503)	1,424
Total impairment charge/(reversal)	2,831	(548)	2,183	558	1,066

Impairment loss recognised. We recognised impairment loss of RMB1.6 million, RMB0.8 million and RMB3.2 million in the years ended 31 December 2010, 2011 and 2012, and RMB1.6 million and RMB0.2 million in the six months ended 30 June 2012 and 2013, respectively. All impairment loss recognised were related to loans secured by equity interest collateral during the Track Record Period.

Impairment loss recognised in 2010 was primarily related to three loans secured by equity interest we granted to certain customers without performing the collateral registration processes with the relevant government authorities to effectuate the pledge of the collateral for such loans, as we tried to accommodate the immediate capital needs of these borrowers who subsequently failed to coordinate with us to provide necessary documents to us to complete the registration process for the proposed collateral. As a result, we were not able to repossess and dispose of the collateral of such three loans upon default. We recognised the full outstanding amount of RMB1.56 million as impairment loss in 2010. Such loans were granted before we implemented our current risk control policy and loan approval and collateral appraisal procedures. We completed the relevant collateral registration processes for all other loans we granted during the Track Record Period and the Directors do not expect any similar failure to register collateral to occur in the future.

In 2011, we identified two loans secured by equity interest in the aggregate amount of RMB0.8 million which showed evidence of deterioration and we recognised impairment loss of the full outstanding amount on these loans. We initiated legal proceedings against the both loans in 2012. One of the loans had a principal amount of RMB0.5 million. We recovered full outstanding amount on such loan as of the Latest Practicable Date and recorded a write-back of RMB0.6 million in the six months ended 30 June 2013. The other loan had a principal amount of RMB250,000 and we were waiting for court judgment as of the Latest Practicable Date.

In 2012, we recognised impairment loss of the full outstanding amount of RMB3.2 million on a Defaulted Loan secured by equity interest collateral with a principal amount of RMB3.0 million. We initiated legal proceedings against such loan in 2011. No impairment loss was recognised on such loan in 2011 as at the time we expected the outstanding amount to be fully recoverable through the legal proceedings. An amount of RMB3.1 million was written off as uncollectible in the six months ended 30 June 2013.

In the six months ended 30 June 2013, we recognised impairment loss of RMB191,371, which was the full outstanding interest amount of a loan. The principal amount of such loan was repaid in full.

Individually Assessed Impairment Charge/(Reversal). We recognised individually assessed impairment charges of RMB1.6 million, RMB0.8 million, RMB2.6 million and RMB1.1 million in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012, respectively. We recognised a reversal of individually assessed impairment of RMB0.4 million in the six months ended 30 June 2013. Individually assessed impairment charges in 2010 and 2011 resulted from impairment losses recognised for the same years. Individually assessed impairment charge in 2012 was resulted from an impairment loss recognised of RMB3.2 million, partially offset by a RMB0.5 million write-back for a loss previously recognised but subsequently recovered in 2012. We incurred an individually assessed reversal of impairment of RMB0.4 million in the six months ended 30 June 2013 which resulted from a write-back of RMB0.6 million for a loss previously recognised but subsequently recovered, partially offset by an individually assessed impairment loss of RMB0.2 million.

Collectively Assessed Impairment Charge/(Reversal). We recognised collectively assessed impairment charges of RMB1.3 million in the year ended 31 December 2010 and RMB1.4 million in the six months ended 30 June 2013. We reversed collectively assessed impairment charges of RMB1.3 million, RMB0.4 million and RMB0.5 million in the years ended 31 December 2011 and 2012 and in the six months ended 30 June 2012, respectively. Such collectively assessed impairment charges or reversals were recognised as a result of the changes in the collectively assessed impairment allowances from the beginning to the end of an indicated period primarily due to the change of loans amount secured by equity interest and change of risk profile of loans secured by equity interest. The table below sets forth the collectively assessed impairment allowances at the beginning and end of each year indicated and the impairment charges recognised or reversed for the same periods:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
			RMB'000		
				(unaudited)	
Collectively assessed impairment allowance					
At the end of the period	4,345	2,998	2,550	2,495	3,974
At the beginning of the period	3,076	4,345	2,998	2,998	2,550
Impairment charge/(reversal)	**1,269**	**(1,347)**	**(448)**	**(503)**	**1,424**

For the purposes of a collective assessment of impairment, loans to customers are grouped by collateral category and further by credit risk characteristics, as explained in more detail below:

(a) *Loans secured by real estate collateral*

A collective assessment is performed on loans secured by real estate that have been individually assessed and were found not impaired on an individual basis. Such loans are grouped by similar credit risk characteristics. Pursuant to our risk control policy, the principal amount of the loan granted is capped at 70% of the appraised value of real estate collateral. We did not expect to incur any loss on the loans in this collateral category, taking into account amounts recoverable through disposal of collateral. Consequently, no collectively assessed impairment allowances were recorded.

(b) *Loans secured by equity interest collateral*

A collective assessment is performed on loans secured by equity interest that have been individually assessed and were found not impaired on an individual basis. Such loans are grouped by similar credit risk characteristics into the following three categories taking into consideration their overdue status, renewal status and other relevant factors:

- loans within their original or renewal terms as per their respective loan agreements;
- loans overdue up to three months; and
- loans overdue more than three months.

We use available historical data, informed judgment and statistical techniques to determine a collective loss rate (which ranges from 1% to 3%) for each risk characteristics category. Collectively assessed impairment allowance was calculated based on the gross loan amount of each category and the corresponding collective loss rate. Collective loss rates of each category fluctuated in a narrow range during the Track Record Period, as we believe there has been no significant change in current factors that are likely to cause losses associated with the loan portfolio to differ from our historical loss experience.

For more details on collectively assessed impairment allowances see "— Description of Certain Line Items in the Consolidated Statements of Financial Position — Loans to Customers — Collectively assessed impairment allowance" in this prospectus.

(c) *Loans secured by personal property collateral*

A collective assessment is performed on loans secured by personal property that are relatively small in amount and have not been individually assessed. Such loans are included in one group with similar credit risk characteristics. According to our internal policy, the principal amounts of the respective loans granted are generally no more than 80% of the estimated value of the underlying automobile or jewellery collateral. We physically take possession of the collateral until the loan is fully paid back. We do not expect to incur any credit loss on the loans in this collateral category, taking into account amounts recoverable through disposal of collateral. Consequently, no collectively assessed impairment allowances were recorded.

Income Tax Expense

Pursuant to the rules and regulations of the Cayman Islands, we were not subject to any income tax in the Cayman Islands during the Track Record Period. No provision for Hong Kong profits tax was made for our subsidiary established in Hong Kong, as it did not have assessable profits subject to Hong Kong tax during the Track Record Period.

According to the EIT Law, our income tax provision in respect of our operations in Mainland China has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing PRC generally accepted accounting principles, legislation, interpretations and practices.

Our income tax expense was RMB9.9 million, RMB23.5 million and RMB35.7 million in the years ended 31 December 2010, 2011 and 2012, and RMB20.4 million and RMB22.0 million in the six months ended 30 June 2012 and 2013, respectively, representing effective tax rates of 25.3%, 26.3%, 27.1%, 27.8% and 25.6% for the same periods. The higher effective tax rates in the year ended 31 December 2011 and 2012 and in the six months ended 30 June 2012 were primarily due to the fact that a portion of the expenses paid to certain professional consultants in connection with the Listing in U.S. dollars cannot be deducted for tax purposes in Mainland China.

Profit Attributable to Equity Holders

As a result of the foregoing, our profit attributable to equity holders was RMB29.0 million, RMB66.0 million and RMB96.0 million in the years ended 31 December 2010, 2011 and 2012, and RMB52.9 million and RMB64.0 million in the six months ended 30 June 2012 and 2013, respectively.

RESULTS OF OPERATIONS

Six Months Ended 30 June 2013 Compared with Six Months Ended 30 June 2012

Following the increase of the approved registered capital of the PRC Operating Entity in September 2012, we focused on increasing our profit margin in the six months ended 30 June 2013, by reducing our reliance on bank borrowings and satisfying our needs for funds for loans to customers with the paid-in capital contributed by the PRC Shareholders. We did not significantly expand the size of our loan portfolio, as our gross loans to customers amounts increased by 6.3% from 31 December 2011 to 31 December 2012 and 7.3% from 31 December 2012 to 30 June 2013, respectively, as compared to an increase of 18.6% from 31 December 2010 to 31 December 2011. As a result, our interest income in the six months ended 30 June 2013 was relatively stable compared with the six months ended 30 June 2012.

Interest Income

Our interest income was RMB119.6 million in the six months ended 30 June 2013, which was relatively stable compared with RMB120.1 million in the six months ended 30 June 2012.

Interest income from loans secured by real estate collateral

Interest income from loans secured by real estate collateral was RMB71.6 million and RMB71.8 million in the six months ended 30 June 2012 and 2013 and accounted for 59.6% and 60.1% of our interest income in the corresponding periods.

Interest income from composite administrative fees on loans secured by real estate collateral was RMB59.3 million in the six months ended 30 June 2012 and RMB59.8 million in six months ended 30 June 2013.

Interest Income from loans secured by equity interest collateral

Interest income from loans secured by equity interest collateral decreased by 6.9% from RMB44.6 million in the six months ended 30 June 2012 to RMB41.5 million in the six months ended 30 June 2013, and accounted for 37.1% and 34.7% of our interest income in the six months ended 30 June 2012 and 2013, respectively.

Interest income from composite administrative fees on loans secured by equity interest collateral decreased by 6.0% from RMB36.8 million in the six months ended 30 June 2012 to RMB34.6 million in the six months ended 30 June 2013. The decrease was primarily due to our continued lending strategy to give priority to loans secured by real estate collateral, and the relatively stable aggregate amounts of loans to customers during the periods.

Interest Income from loans secured by personal property collateral

Interest income from loans secured by personal property collateral increased by 18.3% from RMB3.8 million in the six months ended 30 June 2012 to RMB4.5 million in the six months ended 30 June 2013 and accounted for 3.1% and 3.7% of our interest income in the six months ended 30 June 2012 and 2013, respectively. The increase was primarily due to three loans secured by inventory collateral we granted in the six months ended 30 June 2013. Loans secured by inventory collateral typically have larger principal amounts than loans secured by automobile, gold or platinum. The three loans secured by inventory collateral had an aggregate principal amount of RMB27 million and were all repaid in full as of 30 June 2013.

Interest income from composite administrative fees on loans secured by personal property collateral increased by 21.5% from RMB3.4 million in the six months ended 30 June 2012 to RMB4.1 million in the six months ended 30 June 2013. The increase in interest income from loans secured by personal property collateral was primarily due to loans secured by inventory collateral we granted in the six months ended 30 June 2013.

Interest Expense

Our interest expense decreased by 36.8% from RMB13.6 million in the six months ended 30 June 2012 to RMB8.6 million in the six months ended 30 June 2013, primarily due to a decrease in the amount of bank borrowings we incurred in the six months ended 30 June 2013 following the increase of the authorised registered capital of the PRC Operating Entity by capital contribution from the PRC shareholders.

Administrative Expenses

Our administrative expenses decreased by 25.6% from RMB32.8 million in the six months ended 30 June 2012 to RMB24.4 million in the six months ended 30 June 2013, representing 30.8% and 21.9% of our net revenue in the same periods. The decrease was primarily due to a 75.5% decrease in professional and consultancy fees from RMB12.1 million in the six months ended 30 June 2012 to RMB3.0 million in the six months ended 30 June 2013 for professional services in connection with the Global Offering. After a tax reform effectuated in October 2012, we started to pay value-added tax on profit transferred from the PRC Operating Entity to Huifang Tongda, for which we paid business tax prior to the tax reform. As a result, our business and tax surcharges decreased from RMB10.0 million in the six months ended 30 June 2012 to RMB7.0 million in the six months ended 30 June 2013, and our value-added tax and surcharges increased from less than RMB0.1 million in the six months ended 30 June 2012 to RMB3.7 million in the six months ended 30 June 2013.

Impairment Charge on Loans to Customers

We recorded a net impairment charge on loans to customers of RMB1.1 million in the six months ended 30 June 2013 as compared to RMB0.6 million in the six months ended 30 June 2012. The increase was primarily due to a change in collectively assessed impairment from a write-back of RMB0.5 million in the six months ended 30 June 2012 to a charge of RMB1.4 million in the six months ended 30 June 2013, which was in turn due to a higher collectively assessed impairment allowance as of 30 June 2013 as compared to 31 December 2012.

Income Tax Expense

Our income tax expense increased by 8.3% from RMB20.4 million in the six months ended 30 June 2012 to RMB22.0 million in the six months ended 30 June 2013, consistent with the increase in our profit before income tax partially offset by the decrease in the non-deductible portion of the professional and consultancy fees we paid in the first half of 2013.

Profit Attributable to Equity Holders

As a result of the foregoing, our profit attributable to equity holders increased by 21.0% from RMB52.9 million in the six months ended 30 June 2012 to RMB64.0 million in the six months ended 30 June 2013.

Year Ended 31 December 2012 Compared With Year Ended 31 December 2011

In the first half of 2012, we took initiatives to reduce the outstanding amount of loans to customers to rectify incidents of non-compliance with certain provisions of the Pawning Measures which set relevant thresholds for maximum aggregate loan amounts that a pawn loan provider can grant to customers. For details, see "Business — Legal Proceedings and Compliance — Historical Non-compliance — Remedial Measures" in this prospectus. We eliminated all incidents of non-compliance as of 30 June 2012 and maintained our loans to customers amount at a level that was in compliance with the Pawning Measures in relation to the then-approved registered capital of the PRC Operating Entity of RMB250 million from July to September 2012. We applied with the competent governmental authorities to increase the approved registered capital of the PRC Operating Entity to RMB500 million and received approval for the increase in September 2012, which increased the maximum amount we can grant to customers. We also opened two branch offices in 2012, bringing the total number of branch offices to 11 as of 31 December 2012.

Demand for short-term secured loans by SMEs in the Greater Suzhou Area continued to grow in 2012, due to continued economic growth. The increase in demand enabled us to give priority to customers with high quality collateral, good credit histories and healthy financial conditions, and also increased our pricing power in the negotiation of composite administrative fees. As a result, we improved our collateral portfolio quality by increasing the percentage of real estate collateral and improved our net profit margin.

Interest Income

Our interest income increased by 53.0% from RMB136.2 million in the year ended 31 December 2011 to RMB208.5 million in the year ended 31 December 2012, primarily due to a favorable market environment enabling us to charge higher rates and the increase in the maximum loan amount we can grant to customers after we increased the approved registered capital of the PRC Operating Entity in September 2012. The trend of increased demand for short-term secured loans in the Greater Suzhou Area in the first half of 2011 intensified in the second half of 2011 and in 2012, resulting in an increase in our pricing power on the loans we granted in the second half of 2011 and in 2012. For more details on the composite administrative fee rate and loan interest rate we charged on loans to customers, see "Business — Short-term Secured Financing Business — Pricing and Interest Charged" in this prospectus. Consequently, our gross loan yield ratio increased from 22.5% in the year ended 31 December 2011 to 30.6% in the year ended 31 December 2012.

Interest income from loans secured by real estate collateral

Interest income from loans secured by real estate collateral increased by 98.0% from RMB61.9 million in the year ended 31 December 2011 to RMB122.6 million in the year ended 31 December 2012 and accounted for 45.4% and 58.8% of our interest income in the years ended 31 December 2011 and 2012, respectively. The increase in percentage contribution to total interest income resulted from the continued implementation of our strategy to give priority to such loans over loans secured by equity interest collateral, as real estate collateral is generally easier to appraise and dispose of and we are allowed under the Pawning Measures to charge a higher maximum rate of composite administrative fees for loans secured by real estate collateral.

Interest income from composite administrative fees on loans secured by real estate collateral increased by 104.9% from RMB49.7 million in the year ended 31 December 2011 to RMB101.8 million in the year ended 31 December 2012. The increase was primarily attributable to the increase in our pricing power as well as an increase in the amount of loans we granted. The annualised average composite administrative fee rate on loans secured by real estate collateral was 24.55% in the year ended 31 December 2012, compared with 17.30% in the year ended 31 December 2011. The increase was due to the increase in our pricing power, resulting from, among other things, a significant increase in demand for short-term secured loans in 2012 and the second half of 2011.

Interest Income from loans secured by equity interest collateral

Interest income from loans secured by equity interest collateral increased by 12.7% from RMB68.4 million in the year ended 31 December 2011 to RMB77.1 million in the year ended 31 December 2012, and accounted for 50.2% and 37.0% of our interest income in the year ended 31 December 2011 and 2012, respectively.

Interest income from composite administrative fees on loans secured by equity interest collateral increased by 19.7% from RMB53.3 million in the year ended 31 December 2011 to RMB63.8 million in the year ended 31 December 2012. The increase was due to the increase in our pricing power. The average annualised composite administrative fee rate on loans secured by equity interest collateral was 25.8% in the year ended 31 December 2012, compared with 17.6% in the year ended 31 December 2011. The increase was due to the increase in our pricing power, resulting from, among other things, a significant increase in demand for short-term secured loans in 2012 and the second half of 2011.

Interest Income from loans secured by personal property collateral

Interest income from loans secured by personal property collateral increased by 34.2% from RMB5.4 million in the year ended 31 December 2011 to RMB7.2 million in the year ended 31 December 2012 and accounted for 3.9% and 3.4% of our interest income in the year ended 31 December 2011 and 2012, respectively. Interest income from composite administrative fees on loans secured by personal property collateral increased by 35.8% from RMB4.8 million in the year ended 31 December 2011 to RMB6.5 million in the year ended 31 December 2012. The increase in interest income from loans secured by personal property collateral was primarily due to the opening of two new branches in 2012. Loans secured by personal property collateral with principal amounts less than RMB300,000 may be approved at the branch level, and customers usually go to our branch offices to apply for such loans. The opening of new branches broadened our reach to local customers for such loans.

Interest Expense

Our interest expense increased by 36.4% from RMB16.2 million in the year ended 31 December 2011 to RMB22.1 million in the year ended 31 December 2012, primarily due to a 41.9% increase in interest expense on bank borrowings from RMB15.5 million in the year ended 31 December 2011 to RMB22.1 million in the year ended 31 December 2012 as a result of an increase in average amount of our bank borrowings and the increase in interest rates for bank loans. The increase in the amount of our bank borrowings was made possible by the increase in our retained earnings in 2012 and the approved registered capital of the PRC Operating Entity in September 2012, which enabled us to borrow larger amounts from banks and to grant more loans to our customers. The average interest rate on bank loans we borrowed increased in 2012 due to an increase in demand for bank loans in Jiangsu Province in 2012 which enabled banks to charge higher loan interest.

Administrative Expenses

Our administrative expenses increased by 63.6% from RMB32.6 million in the year ended 31 December 2011 to RMB53.3 million in the year ended 31 December 2012, primarily due to:

- a 110.3% increase in professional and consultancy fees from RMB7.4 million in the year ended 31 December 2011 to RMB15.6 million in the year ended 31 December 2012, among which RMB6.1 million and RMB14.9 million were incurred in connection with the Global Offering in the year ended 31 December 2011 and 2012, respectively;

- a 101.9% increase in business tax and surcharges from RMB7.6 million in the year ended 31 December 2011 to RMB15.3 million in the year ended 31 December 2012, primarily due to the increase in our interest income and tax expense incurred in connection with the transfer of profits from the PRC Operating Entity to Huifang Tongda in accordance with the terms of the Contractual Arrangements; and

- a 72.0% increase in employee benefit expenses from RMB7.1 million in the year ended 31 December 2011 to RMB12.3 million in the year ended 31 December 2012 primarily due to increased salaries and bonuses we granted to our employees to accommodate their contribution to our increased profit.

Our administrative expenses represented 26.8% and 28.5% of our net revenue in the year ended 31 December 2011 and 2012, respectively. The increase in percentage was primarily due to the professional and consultancy fees we incurred in connection with the Global Offering and the tax expense incurred in connection with the transfer of profit from the PRC Operating Entity to Huifang Tongda. For more details on the impact of professional and consultancy fees on our revenue, see "Risk Factors — Risks relating to the Global Offering and Our Shares — Fees we incur in connection with the Global Offering may have an adverse impact on our results of operations in the year ended 31 December 2012" in this prospectus.

Impairment Charge on Loans to Customers

We recorded a net impairment charge on loans to customers of RMB2.2 million in the year ended 31 December 2012 as compared to a reversal of RMB0.5 million in the year ended 31 December 2011. The change was primarily due to an increase in individually assessed impairment charges from RMB0.8 million in the year ended 31 December 2011 to RMB2.6 million in the year ended 31 December 2012, and a decrease in collectively assessed impairment write-back of RMB1.3 million in the year ended 31 December 2011 to RMB0.4 million in the year ended 31 December 2012.

The increase in individually assessed impairment charges was primarily attributable to a Defaulted Loan secured by equity interest collateral with a principal amount of RMB3.1 million. For more details, see "— Description of Certain Line Items in the Consolidated Statements of Comprehensive Income — Loans to Customers — Individually assessed impairment allowance" in this prospectus.

The change from collectively assessed impairment write-back to collective assessed impairment charge was primarily attributable to change of the outstanding amount of loans to customers secured by equity interest collateral as of 31 December 2011 as compared with 31 December 2012. See "— Description of Certain Line Items in the Consolidated Statements of Financial Position — Loans to Customers — Collectively assessed impairment allowance" in this prospectus.

Income Tax Expense

Our income tax expense increased by 52.0% from RMB23.5 million in the year ended 31 December 2011 to RMB35.7 million in the year ended 31 December 2012, consistent with the increase in our profit before income tax and the non-deductible portion of the professional and consultancy fees we paid in 2012. We had effective tax rates of 26.3% and 27.1% in the year ended 31 December 2011 and 2012, respectively.

Profit Attributable to Equity Holders

As a result of the foregoing, our profit attributable to equity holders increased 45.5% from RMB66.0 million in the year ended 31 December 2011 to RMB96.0 million in the year ended 31 December 2012.

Year Ended 31 December 2011 Compared With Year Ended 31 December 2010

The approved registered capital of the PRC Operating Entity increased from RMB121 million as of 1 January 2010 to RMB250 million as of 1 January 2011. The increase in the approved registered capital resulted in an increase in the total capital available to us to grant loans to our customers in 2011 compared with 2010. We also opened two branch offices in 2011, bringing the total number of branch offices to nine as of 31 December 2011. In addition, demand for short-term secured loans by SMEs in the Greater Suzhou Area continued to grow in 2011, due to continued economic growth in that area as well as the PRC government's policy to tighten bank lending during the period. The increase in demand enabled us to give priority to customers with high quality collateral, good credit histories and healthy financial conditions, and also increased our pricing power in the negotiation of composite administrative fees. As a result, we improved our collateral portfolio quality by increasing the percentage of real estate collateral and improved our net profit margin.

Interest Income

Our interest income increased by 104.7% from RMB66.6 million in the year ended 31 December 2010 to RMB136.2 million in the year ended 31 December 2011, primarily due to the maximum loan amount we can grant to our customers and the increase in our pricing power due to increased demands for short-term secured loans. The increase in the maximum loan amount we can grant was mainly attributable to the expansion of our business which was made possible by the increase in the approved registered capital of the PRC Operating Entity, the increase in our retained earnings in the previous fiscal year, and the increase in our bank borrowings. The outstanding loan amount increased by 19.0% from RMB546.2 million as of 31 December 2010 to RMB650.2 million as of 31 December 2011. The increase in demand for short-term secured loans in the Greater Suzhou Area in 2011, among other things, resulted in an increase in our pricing power on the loans we granted our customers. For more details on the composite administrative fee rate and loan interest rate we charged on loans to customers, see "Business — Short-term Secured Financing Business — Pricing and Interest Charged" in this prospectus. Consequently, our gross loan yield ratio increased from 17.0% in the year ended 31 December 2010 to 22.5% in the year ended 31 December 2011.

Interest Income from loans secured by real estate collateral

Interest income from loans secured by real estate collateral increased by 129.0% from RMB27.0 million in the year ended 31 December 2010 to RMB61.9 million in the year ended 31 December 2011 and accounted for 40.6% and 45.4% of our interest income in the years ended 31 December 2010 and 2011, respectively. The increase in our interest income from loans secured by real estate collateral as a percentage to the total interest income was a result of our strategy to give priority to such loans over loans secured by equity interest collateral.

Interest income from composite administrative fees on loans secured by real estate collateral increased by 132.6% from RMB21.4 million in the year ended 31 December 2010 to RMB49.7 million in the year ended 31 December 2011. The increase was primarily attributable to the increase in our pricing power as well as an increase in the amount of loans we granted. The average annualized composite administrative fee rate on loans secured by real estate collateral increased from 14.0% in the year ended 31 December 2010 to 17.3% in the year ended 31 December 2011. The outstanding amount of loans secured by real estate collateral increased by 113.8% from RMB182.6 million as of 31 December 2010 to RMB390.5 million as of 31 December 2011.

Interest Income from loans secured by equity interest collateral

Interest income from loans secured by equity interest collateral increased by 97.1% from RMB34.7 million in the year ended 31 December 2010 to RMB68.4 million in the year ended 31 December 2011 and accounted for 52.1% and 50.2% of our interest income in the years ended 31 December 2010 and 2011, respectively.

Interest income from composite administrative fees on loans secured by equity interest collateral increased by 104.0% from RMB26.1 million in the year ended 31 December 2010 to RMB53.3 million in the year ended 31 December 2011. The increase was primarily attributable to an increase in our pricing power, partially offset by a decrease in the amount of loans we granted. The average annualized composite administrative fee rate on loans secured by equity interest collateral increased from 11.5% in the year ended 31 December 2010 to 17.6% in the year ended 31 December 2011. The outstanding amount of loans secured by equity interest collateral decreased by 30.1% from RMB357.4 million as of 31 December 2010 to RMB249.9 million as of 31 December 2011, as a result of our lending strategy to give priority to loans secured by real estate collateral.

Interest Income from loans secured by personal property collateral
Interest income from loans secured by personal property collateral increased 12.0% from RMB4.8 million in the year ended 31 December 2010 to RMB5.4 million in the year ended 31 December 2011 and accounted for 7.2% and 3.9% of our interest income in the years ended 31 December 2010 and 2011, respectively. Interest income from composite administrative fees on loans secured by personal property collateral increased by 10.2% from RMB4.3 million in the year ended 31 December 2010 to RMB4.8 million in the year ended 31 December 2011.

Interest Expense
Our interest expense increased by 71.0% from RMB9.5 million in the year ended 31 December 2010 to RMB16.2 million in the year ended 31 December 2011, primarily due to a 147.4% increase in interest expense on bank borrowings from RMB6.3 million in the year ended 31 December 2010 to RMB15.5 million in the year ended 31 December 2011. The increase in the amount of our bank borrowings was made possible by the increase of the approved registered capital of the PRC Operating Entity from RMB121 million as of 1 January 2010 to RMB250 million as of 1 January 2011 and the increase in our retained earnings in 2011, which enabled us to borrow larger amounts from banks and to grant more loans to our customers. The increase in interest expense on our bank borrowing was partially offset by a 80.5% decrease in interest expense to a related party from RMB3.2 million in the year ended 31 December 2010 to RMB0.6 million in the year ended 31 December 2011, as we stopped the practice of borrowing funds from Wuzhong Jiaye in August 2011 and satisfied our increasing financing needs through additional bank loans.

Other Operating Income, Net
Our net other operating income increased by 39.2% from RMB1.1 million in the year ended 31 December 2010 to RMB1.5 million in the year ended 31 December 2011, in line with the increase in the loans secured by personal property collateral we granted. Our net other operating income accounted for 1.8% and 1.2% of our net revenue in 2010 and 2011, respectively.

Administrative Expenses
Our administrative expenses increased by 96.9% from RMB16.6 million in the year ended 31 December 2010 to RMB32.6 million in the year ended 31 December 2011, primarily due to:

- a significant increase in professional and consultancy fees from RMB0.6 million in the year ended 31 December 2010 to RMB7.4 million in the year ended 31 December 2011, most of which in connection with the Global Offering;

- a 106.2% increase in business tax and surcharges from RMB3.7 million in the year ended 31 December 2010 to RMB7.6 million in the year ended 31 December 2011, consistent with the increase of our interest income; and

- a 56.5% increase in employee benefit expense from RMB4.6 million in the year ended 31 December 2010 to RMB7.1 million in the year ended 31 December 2011, due to the (i) increase in the average number of our employees from 63 in the year ended 31 December 2010 to 90 in the year ended 31 December 2011, (ii) the 25.9% increase in the average wage we paid our employees from RMB55,600 in the year ended 31 December 2010 to RMB70,000 the year ended 31 December 2011 in line with the growth of our business scale and revenue, and to increase our ability to attract new employees for future growth and (iii) a 28.5% increase in discretionary bonuses from RMB1.4 million in the year ended 31 December 2010 to RMB1.8 million in the year ended 31 December 2011 to reward our employees for achieving a 127.4% net profit increase in 2011.

Our administrative expenses represented 28.5% and 26.8% of our net revenue in the years ended 31 December 2010 and 2011, respectively. The decrease in percentage was primarily due to the initiatives we took to improve our operational efficiency, such as through continued employee training and implementation of central fund management while we increased the scale of our business.

Impairment Charge on Loans to Customers
Our impairment charge on loans to customers decreased from a charge of RMB2.8 million in the year ended 31 December 2010 to a write-back of RMB0.5 million in the year ended 31 December 2011, due to a change from collectively assessed impairment charges of RMB1.3 million in the year ended 31 December 2010 to a write-back of RMB1.3 million in the year ended 31 December 2011, and a decrease in individually assessed impairment charge of RMB1.6 million in the year ended 31 December 2010 to RMB0.8 million in the year ended 31 December 2011.

The change from collectively assessed impairment charge to a write-back was primarily attributable to a decrease of loans to customers balance secured by equity interest collateral from the beginning to the end of the year ended 31 December 2011. See "— Description of Certain Line Items in the Consolidated Statements of Financial Position — Loans to Customers — Collectively assessed impairment allowance" in this prospectus.

The decrease in individually assessed impairment charges was primarily attributable to the improvement of our risk management, which led to an improvement of the quality of our collateral and a decrease in the amount of loans with loss events.

Income Tax Expense
Our income tax expense increased by 138.4% from RMB9.9 million in the year ended 31 December 2010 to RMB23.5 million in the year ended 31 December 2011, consistent with the increase of our profit before income tax during the same periods. We had effective tax rates of 25.3% and 26.3% in the years ended 31 December 2010 and 31 December 2011, respectively.

Profit Attributable to Equity Holders
As a result of the foregoing, our profit attributable to equity holders increased 127.4% from RMB29.0 million in the year ended 31 December 2010 to RMB66.0 million in the year ended 31 December 2011, with net profit margins increasing from 49.9% to 54.3% over the same periods.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial position as of the indicated dates:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000			
ASSETS				
Non-current assets				
Investment properties	—	9,107	—	—
Property, plant and equipment	1,836	3,412	3,907	3,277
Intangible assets	—	—	357	339
Deferred income tax assets	1,687	1,745	1,913	2,179
Total non-current assets	**3,523**	**14,264**	**6,177**	**5,795**
Current assets				
Other assets	10,576	5,009	12,319	13,507
Loans to customers	546,172	650,162	689,406	742,320
Cash at bank and on hand	8,461	61,439	159,081	217,716
Total current assets	**565,209**	**716,610**	**860,806**	**973,543**
Total assets	**568,732**	**730,874**	**866,983**	**979,338**
EQUITY AND LIABILITIES				
Equity attributable to the equity holders				
Share capital	—	63	63	63
Other reserves	253,747	260,748	521,400	521,400
Retained earnings	33,724	92,732	81,377	145,354
Total equity	**287,471**	**353,543**	**602,840**	**666,817**
Liabilities				
Current liabilities				
Bank borrowings	160,289	350,506	220,501	270,575
Amounts due to related parties	111,824	4,568	16,368	16,208
Current income tax liabilities	6,775	15,307	13,198	11,003
Other liabilities	2,373	6,950	14,076	14,735
Total liabilities	**281,261**	**377,331**	**264,143**	**312,521**
Total equity and liabilities	**568,732**	**730,874**	**866,983**	**979,338**
Net current assets	**283,948**	**339,279**	**596,663**	**661,022**
Total assets less current liabilities	**287,471**	**353,543**	**602,840**	**666,817**

DESCRIPTION OF CERTAIN LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Loans to Customers

The substantial majority of our assets are current assets. Our current assets in turn consist primarily of loans to our customers, which were RMB546.2 million, RMB650.2 million, RMB689.4 million and RMB742.3 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, and accounted for 96.6%, 90.7%, 80.1% and 76.2% of our current assets as of the same dates.

The following table sets forth the aging analysis of our outstanding loans to customers as of the indicated dates:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000			
Within 3 months	239,056	482,810	422,930	295,770
From 3 months to 6 months	142,421	133,250	228,290	161,532
From 6 months to 1 year	134,220	19,734	7,050	266,621
From 1 year to 2 years	29,171	13,868	30,819	16,016
Above 2 years	1,304	500	317	2,381
Total	546,172	650,162	689,406	742,320

The maximum initial term of our loans to customers is six months, and we generally only allow our customers to renew their loans once with a maximum renewal term of six months. We did not have any renewed loans in the year ended 31 December 2010. We approved nil, 2, 34 and 23 renewed loans in the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively, among which nil, 2, 4 and 23 remained outstanding as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The significant increase in the number of renewed loans approved in the year ended 31 December 2012 and the six months ended 30 June 2013 was primarily due to our enhanced loan monitoring and our efforts to reduce Overdue Loan starting in the second half of 2011. The outstanding amount of renewed loans was RMB21.1 million, RMB24.2 million and RMB261.9 million as of 31 December 2011 and 2012 and 30 June 2013, respectively. The significant increase in outstanding amount of renewed loans as of 30 June 2013 was due to the number of renewed loans outstanding as of that date. The number of renewed loans outstanding is typically higher in the middle of a year as compared to at the end of a year, as many borrowers tend to repay their loans towards the end of a year as part of their ordinary course of business and fiscal cycles. As of 31 December 2011, two outstanding loans were renewed loans, among which one had a principal amount of RMB11.0 million with an age of less than three months and the other had a principal amount of RMB10.0 million with an age of six to 12 months. As of 31 December 2012, four outstanding loans were renewed loans, with an aggregate principal amount of RMB21.5 million. All four loans had ages between 1 year to 2 years and none of them had been renewed more than once. As of the Latest Practicable Date, one of such four renewed loans with the principal amount of RMB2.5 million was repaid in full. The other three were overdue and we had initiated legal proceedings for all three loans. We obtained judgments for disposal of the underlying collateral for two of the Overdue Loans. One of the two loans had principal amount of RMB6.0 million and we recovered the outstanding amount of this loan in full as of 30 June 2013. The other loan had principal amount of RMB1.0 million, and we do not expect to incur any lose in connection with this loan. The legal proceeding for the remaining loan with a principal amount of RMB12 million was still ongoing as of the Latest Practicable Date. All renewed loans as of 31 December 2011 and 2012 were secured by real estate collateral. As of 30 June 2013, one outstanding loan with principal amount of RMB1.6 million was secured by equity interest, and 22 outstanding loans with an aggregate principal amount of RMB257.1 million were secured by real estate collateral. Our loans to customers with ages of less than six months accounted for 69.8%, 94.8%, 94.5% and 61.6% of the total loans to customers amount as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The increase in percentage from 31 December 2010 to 31 December 2011 and 2012 was primarily due to the initiatives we took since the second half of 2011 to collect Overdue Loans. For more details, see "Business — Short-term Secured Financing Business — Loan Process — Loan Collection and Repayment" in this prospectus. The decrease in percentage from 31 December 2012 to 30 June 2013 was primarily due to the increase in the outstanding amount of renewed loans as of 30 June 2013, the majority of which had ages longer than six months. Among the RMB266.6 million outstanding loans with ages between 6 months to 1 year, 15 loans with an aggregate amount of RMB250.6 million were renewed loans and 2 loans with an aggregate amount of RMB16.0 million were Overdue Loans, respectively. Among the 15 renewed loans, 4 loans with aggregate outstanding amount of RMB102.0 million were repaid in full as of the Latest Practicable Date. For the 2 Overdue Loans, we were negotiating repayment schedule with the borrower who continued to make interest payment on the outstanding amount on one of the loans and initiated legal proceedings against the other loan as of the Latest Practicable Date. Conversely, 5.0% of our aggregate loans to customers amount as of 30 June 2013 was overdue, decreased from 6.2% as of 31 December 2012.The following table sets forth our gross loan amount outstanding by type of collateral and the percentage of each type as to the total outstanding gross amount as of the indicated dates:

	As of 31 December						As of 30 June	
	2010		2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Loans secured by real estate collateral	182,641	33.1	390,457	59.7	438,740	63.0	484,921	64.9
Loans secured by equity interest collateral	357,439	64.8	249,873	38.2	245,435	35.3	247,519	33.1
Loans secured by personal property collateral	11,879	2.1	14,156	2.2	11,738	1.7	14,370	2.0
Gross loans to customers	**551,959**	**100**	**654,486**	**100**	**695,913**	**100**	**746,810**	**100**

Our loans to customers consist primarily of loans secured by real estate collateral and equity interest collateral, and substantially all our Substantial Loans were secured by real estate collateral and equity interest collateral during the Track Record Period. The gross amount of loans secured by real estate collateral was RMB182.6 million, RMB390.5 million, RMB438.7 million and RMB484.9 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, accounting for 33.1%, 59.7%, 63.0% and 64.9% of the gross amount of loans to customers as of the same dates. The gross amount of loans secured by equity interest collateral was RMB357.4 million, RMB249.9 million, RMB245.4 million and RMB247.5 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, accounting for 64.8%, 38.2%, 35.3% and 33.1% of the gross amount of loans to customers as of the same dates. As of 30 June 2013, we received repayments in the amounts of RMB158.4 million and RMB244.7 million for loans secured by real estate and equity interest collateral that were outstanding as of 31 December 2012, respectively, representing 36.1% and 99.7% of the total outstanding amount, respectively. Loans secured by real estate collateral outstanding as of 31 December 2012 which remained outstanding as of 30 June 2013 consisted of renewed loans in the aggregate amount of RMB247.5 million and Overdue Loans in the aggregate amount of RMB32.3 million as of 30 June 2013, respectively, representing 56.4% and 7.4% of the loan amount secured by real estate collateral outstanding as of 31 December 2012. In the six months ended 30 June 2013 we continued to monitor the outstanding loans and demand either repayment or renewal when they became due. Please refer to discussion elsewhere in this section for details of our renewed and Overdue Loans. We gave priority to loans secured by real estate collateral and equity interest collateral as these are the types of collateral that are usually pledged to secure loans with larger principal amount by SMEs and their proprietors. Loans secured by personal property collateral such as automobile, gold and platinum were generally granted to individuals for small principal amounts. In the six months ended 30 June 2013 we also granted three loans secured by inventory collateral, none of which was outstanding as of 30 June 2013. The outstanding gross amount of loans secured by personal property collateral accounted for only 2.2%, 2.2%, 1.7% and 1.9% of gross amount of loans to customers as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

The gross amount of loans to customers increased by 18.6% from RMB552.0 million as of 31 December 2010 to RMB654.5 million as of 31 December 2011, primarily due to the increase in demand for short-term secured loans in the Greater Suzhou Area and the increase of our available funds to be granted to customers as loans as a result of the increase of the approved registered capital of the PRC Operating Entity and our retained earnings. Loans secured by real estate collateral increased by 113.8% from RMB182.6 million as of 31 December 2010 to RMB390.5 million as of 31 December 2011. Loans secured by equity interest collateral decreased by 30% from RMB357.4 million as of 31 December 2010 to RMB249.9 million as of 31 December 2011. The percentage of loans secured by real estate collateral as to gross amount of loans to customers increased from 33.1% as of 31 December 2010 to 59.7% as of 31 December 2011. The increased demand for short-term secured loans in 2011 resulted in an increase in the number of loan applications, which enabled us to better implement our lending strategy to give priority to loans secured by real estate collateral. Real estate collateral is generally easier to appraise and to be disposed of compared to equity interest collateral. In addition, pursuant to the Pawning Measures, the monthly composite administrative fee for a short-term loan secured by real estate was capped at 2.7% during these periods, as compared to 2.4% for loans secured by equity interest collateral.

The gross amount of loans to customers increased by 6.3% from RMB654.5 million as of 31 December 2011 to RMB695.9 million as of 31 December 2012. Loans secured by real estate collateral increased by 12.4% from RMB390.5 million as of 31 December 2011 to RMB438.7 million as of 31 December 2012. Loans secured by equity interest collateral decreased by 1.8% from RMB249.9 million as of 31 December 2011 to RMB245.4 million as of 31 December 2012. Loans secured by real estate collateral as a percentage of gross amount of loans to customers increased as of 31 December 2012 as compared to 31 December 2011 as we continued to implement our lending strategy of giving priority to such loans.

The gross amount of loans to customers increased by 7.3% from RMB695.9 million as of 31 December 2012 to RMB746.8 million as of 30 June 2013. Loans secured by real estate collateral increased by 10.5% from RMB438.7 million as of 31 December 2012 to RMB484.9 million as of 30 June 2013. Loans secured by equity interest collateral increased by 0.8% from RMB245.4 million as of 31 December 2012 to RMB247.5 million as of 30 June 2013. Loans secured by personal property collateral increased by 22.4% from RMB11.7 million as of 31 December 2012 to RMB14.4 million as of 30 June 2013. Loans secured by real estate collateral as a percentage of gross amount of loans to customers increased as of 30 June 2013 as compared to 31 December 2012 as we continued to implement our lending strategy of giving priority to such loans.

Impairment Allowance

We follow the market practice of short-term secured financing industry in terms of the methodology of asset impairment assessment and recognition. During our impairment assessment, we first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. See "— Summary of Significant Accounting Policies" in this prospectus for details about the criteria that we use to determine whether there is objective evidence of an impairment loss. If we determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, we include such asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The following table sets forth the impairment allowance individually and collectively assessed as of the indicated dates:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000			
Gross loans to customers	551,959	654,486	695,913	746,810
Individually assessed impairment allowance	(1,442)	(1,326)	(3,957)	(516)
Collectively assessed impairment allowance	(4,345)	(2,998)	(2,550)	(3,974)
Total impairment allowance	(5,787)	(4,324)	(6,507)	(4,490)
Loans to customers	**546,172**	**650,162**	**689,406**	**742,320**

In the Track Record Period, we did not recognise collectively assessed impairment allowances for loans secured by real estate and personal property collateral after due assessment as we believed the outstanding amount of loans secured by such collateral was fully recoverable through the disposal of the collateral in the event of defaults. Real estate and personal property collateral is generally easily appraisable and readily disposable as there are open markets for such collateral. In addition, our loans to customers have weighted average appraised loan-to-value ratios which we believe are generally sufficient to enable us to recover the outstanding loan amount and avoid losses in the event of default. The weighted average appraised loan-to-value ratio for loans secured by real estate collateral was 58%, 57%, 52% and 54% as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. Loans secured by personal property collateral generally have low credit exposure as we take physical possession of the collateral until the full repayment of the loans. As starting in 2013, we have begun to accept a broader range of personal property as collateral, including larger and more valuable types of personal property such as inventory, we now also take legal possession of such collateral through third-party custodians who secure such collateral on our behalf. As such, we believe as of 31 December 2010, 2011 and 2012 and 30 June 2013, there was no need to recognise individually assessed impairment allowance on loans secured by real estate and personal property collateral. We regularly analyse the quality of our collateral and market conditions. In addition, in December 2011 we engaged a third-party certified appraisal company to evaluate the real estate collateral securing our outstanding loans every half a year to ensure that there is no significant decrease in the values of such collateral. For real estate collateral securing loans outstanding as of 31 December 2011 and 2012 and 30 June 2013, the third-party appraisal company reached substantially the same or higher appraised value as the Appraisal Committee in the loan approval processes. We may recognise individually assessed impairment allowances on such loans in the future based on the results of these analyses and third-party appraisals, for example in the event of significant deterioration of the real estate market. We recognised collectively assessed impairment allowance on our loans secured by equity interest collateral due to the fact that the lack of sufficient information about private enterprises may hinder our ability to properly assess and monitor the changes of the value of their equity interest in the private enterprises that were pledged to us as collateral.

Our total impairment allowance was RMB5.8 million, RMB4.3 million, RMB6.5 million and RMB4.5 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, accounting for 1.0%, 0.7%, 0.9% and 0.6% of the gross amount of loans to customers and 1.6%, 1.7%, 2.7% and 1.8% of the gross amount of loans secured by equity interest collateral as of the corresponding dates, respectively, as all of our impairment allowances as of the indicated dates were recognised on loans secured by equity interest collateral.

Individually assessed impairment allowance

We assess our loans for impairment at each balance sheet date, determine a level of allowance for impairment in the balance sheet, and recognise corresponding impairment charges for credit losses separately in the income statement. We assess at each balance sheet date whether there is objective evidence that a loan or a group of loans is impaired. Individually assessed impairment allowances are determined on a case-by-case basis by an evaluation of the loss incurred on the balance sheet date. We normally assess the collateral status and the likelihood of payments on that loan, taking into account information specific to the borrower as well as the general economic environment in which the borrower operates, including the quality and value of the collateral, the borrower's financial condition and current ability to pay, past experience with the borrower and the financial condition of the third party guarantor, if applicable. The following table sets forth our loan amounts to customers by impairment treatment and the percentages to the gross loan amount to customers as of the indicated dates:

	As of 31 December						As of 30 June	
	2010		2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Neither overdue nor individually impaired	366,730	66.4	626,635	95.7	653,072	93.8	709,840	95.0
Overdue but not individually impaired	183,787	33.3	26,525	4.1	38,884	5.6	36,454	4.9
Individually impaired	1,442	0.3	1,326	0.2	3,957	0.6	516	0.1
Gross loans to customers amount	551,959	100	654,486	100	695,913	100	746,810	100

(i) *Neither overdue nor individually impaired*. The amounts of loans that were neither overdue nor individually impaired were RMB366.7 million, RMB626.6 million, RMB653.1 million and RMB709.8 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, accounting for 66.4%, 95.7%, 93.8% and 95.0% of our gross loan amounts to customers as of the corresponding dates. The Directors believed that no impairment allowance was necessary because, as of the respective balance sheet dates, there was no objective evidence of an impairment loss for any of these loans. As of 31 December 2010, there was no renewed loan. As of 31 December 2011 and 2012 and 30 June 2013, 95.7%, 93.8% and 95.0%, respectively, of our loans were not overdue, increasing from 66.4% as of 31 December 2010, as a result of our efforts to better manage our loan portfolio and monitor the status of outstanding loans, and the initiatives we took in the second half of 2011 to collect overdue outstanding principal amounts and relevant interest. We plan to continue such initiatives and maintain a high percentage of loans not overdue in the future. See "Business — Short-term Secured Financing Business — Loan Process — Loan Collection and Repayment" in this prospectus for details of our initiative to collect Overdue Loans and "— Summary of Significant Accounting Policies" in this prospectus for details about the criteria that we use to determine whether there is objective evidence of an impairment loss. The decrease in the percentage of loans not overdue as a percentage to total loan amount from 95.7% as of 31 December 2011 to 93.8% as of 31 December 2012 was primarily due to five Overdue Loans with an aggregate carrying amount of RMB24.2 million in 2012. For more details, see "— Overdue but not individually impaired."

(ii) *Overdue but not individually impaired*. The amounts of loans that were overdue but not individually impaired were RMB183.8 million, RMB26.5 million, RMB38.9 million and RMB36.5 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, accounting for 33.3%, 4.1%, 5.6% and 4.9% of our gross loan amounts to customers as of the corresponding dates. The following table sets forth the amount of loans to customers that were overdue but not individually impaired by aging and collateral types as of the indicated dates:

	As of 31 December			As of 30 June
	2010	**2011**	**2012**	**2013**
		RMB'000		
Loan secured by real estate collateral				
Overdue up to 1 month	65,180	—	3,200	2,000
Overdue 1–3 months	32,383	100	—	3,009
Overdue 4–6 months	18,055	1,228	24,191	13,048
Overdue over 6 months	22,140	11,846	6,945	18,397
Total	**137,758**	**13,174**	**34,336**	**36,454**
Loan secured by equity interest collateral				
Overdue up to 1 month	9,828	—	—	—
Overdue 1–3 months	16,349	—	—	—
Overdue 4–6 months	10,250	—	4,548	—
Overdue over 6 months	9,602	13,351	—	—
Total	46,029	13,351	4,548	—
Total loans past due but not impaired	**183,787**	**26,525**	**38,884**	**36,454**

Loans that were overdue are not considered impaired, unless other information is available to indicate there is objective evidence that an impairment loss might happen such as significant deterioration of collateral value or economic condition of the borrower. See "— Summary of Significant Accounting Policies" in this prospectus for details about the criteria that we use to determine whether there is objective evidence of an impairment loss. Loans that were overdue but not impaired were granted to customers who have good credit records with us. The Directors believed that no individual impairment allowance was necessary in respect of these balances as there was no significant change in their credit quality and collateral quality and the outstanding amounts are considered fully recoverable. Our initiative to collect Overdue Loans in the second half of 2011 significantly reduced loan amounts overdue but not impaired from RMB183.8 million as of 31 December 2010 to RMB26.5 million as of 31 December 2011. We continued this initiative in 2012. The loan amount overdue but not individually impaired was RMB38.9 million as of 31 December 2012, and primarily consisted of RMB24.2 million in loans secured by real estate collateral that was overdue between four to six months. The significant increase in loans secured by real estate collateral that were overdue between four to six months resulted from the expiration of five loans in 2012. We initiated legal proceedings against three of the five loans for a total carrying amount at RMB20.7 million. Loans secured by real estate collateral that were overdue between four to six months increased from RMB24.2 million as of 31 December 2012 to RMB13.0 million as of

30 June 2013, and conservely, loans secured by real estate collateral that were overdue over six months increased from RMB6.9 million as of 31 December 2012 to RMB18.4 million as of 30 June 2013, primarily attributable to certain loans overdue between four to six months as of 31 December 2012 remained outstanding and became overdue over six months as of 30 June 2013. As of 30 June 2013, 10 outstanding loans with an aggregate amount of RMB18.4 million were overdue over 6 months. We initiated legal proceedings against 8 of such loans with an aggregate outstanding amount of RMB17.3 million. We were negotiating with the borrowers for the repayment of other two loans with the aggregate outstanding amount of RMB1.1 million. As of the Latest Practicable Date, we received judgments on 6 out of the 8 legal proceedings with an aggregate amount of RMB16.6 million, all of which were secured by real estate collateral. We expect to recover the outstanding amount in full upon disposal of the underlying collateral. We did not initiate legal proceedings to repossess and dispose of the collateral underlying certain Overdue Loans which were considered fully recoverable and not individually impaired, as legal proceedings are usually lengthy and costly. Substantially all such Overdue Loans were eventually repaid in full during the Track Record Period by borrowers without us engaging in any loan collecting procedure. We generally charge loan interest and administrative fees on an overdue amount for the overdue period based on the same rates specified in the relevant loan agreement. We have been advised by our PRC Legal Adviser that such charge on an Overdue Loan does not violate the Pawning Measures. For more details, see "Business — Short-term Secured Financing Business — Loan Process — Loan Collection and Repayment".

(iii) *Individually impaired loans*. The table below sets forth the individually assessed impairment allowances at the beginning and end of each period indicated below, and the amount of loans written off as uncollectible and the impairment loss recognised for the same period:

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
		RMB'000		
Individually assessed impairment allowance				
at the beginning of period	840	1,442	1,326	3,957
Impairment loss recognised	1,562	799	3,158	192
Net write-back of loan provision	—	—	(527)	(550)
Loans written off as uncollectible	(960)	(915)	—	(3,083)
at the end of period	1,442	1,326	3,957	516

The aggregate amount of loans that was assessed to qualify for individually recognised impairment was RMB1.4 million, RMB1.3 million, RMB4.0 million and RMB0.5 million as of 31 December 2010, 2011 and 2012 and 30 June 2013 respectively, and accounted for 0.3%, 0.2%, 0.6% and 0.1% of our gross loan amounts to customers as of the corresponding dates. Our individually assessed impairment allowance decreased from RMB1.4 million as of 31 December 2010 to RMB1.3 million as of 31 December 2011 due to a write-off of RMB0.9 million as uncollectible loans, partially offset by a RMB0.8 million impairment loss recognised. Our individually assessed impairment allowance increased from RMB1.3 million as of 31 December 2011 to RMB4.0 million as of 31 December 2012 due to an impairment loss of RMB3.1 million recognised on one loan secured by equity interest collateral the principal amount of which was RMB3.1 million. The impairment loss recognised was partially offset by a write back of RMB0.5 million for loan amount subsequently recovered. Our individually assessed impairment allowance decreased from RMB4.0 million as of 31 December 2012 to RMB0.5 million as of 30 June 2013 primarily due to the write off of a loan secured by equity interest collateral with a principal amount of RMB3.1 million as uncollectible. For more details on impairment loss recognised, see "— Impairment Charge on Loans to Customers — Impairment loss recognised."

Collectively assessed impairment allowance

If we determine a loan secured by equity interest collateral does not need to be individually impaired after the individual assessment, we include such loan in a group of loans with similar credit risk characteristics and collectively assess them for impairment. For the purposes of a collective assessment of impairment, the basis of similar credit risk characteristics include collateral type, overdue status and other factors that are relevant to the estimation of future cash flows generated from these loans. These characteristics are relevant because they are indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the loans being evaluated. The collectively assessed impairment allowance was RMB4.3 million, RMB3.0 million, RMB2.6 million and RMB4.0 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The collectively assessed impairment allowances decreased by 31.0% from RMB4.3 million as of 31 December 2010 to RMB3.0 million as of 31 December 2011, in line with the decrease of loan amounts secured by equity interest collateral from RMB357.4 million as of 31 December 2010 to RMB249.9 million as of 31 December 2011. The collectively assessed impairment allowances decreased by 14.9% from RMB3.0 million as of 31 December 2011 to RMB2.6 million as of 31 December 2012, in line with the decrease in loan amounts secured by equity interest collateral from RMB249.9 million as of 31 December 2011 to RMB245.4 million as of 31 December 2012. The change in the amounts of collectively assessed impairment allowances was mainly attributable to the change in the amounts of loans secured by equity interest collateral. After due analysis of the market conditions, we believed there was continued tightening of liquidity in the market in the six month ended 30 June 2013, accordingly we increased the collectively assessed impairment allowances by 55.8% from RMB2.6 million as of 31 December 2012 to RMB4.0 million as of 30 June 2013.

Total Equity

Our total equity was RMB287.5 million, RMB353.5 million and RMB602.8 million as of 31 December 2010, 2011 and 2012, and RMB666.8 million as of 30 June 2013 respectively. Our total equity consists primarily of (i) retained earnings and (ii) other reserves, which consist primarily of paid-in capital and statutory reserves of the PRC Operating Entity.

The following table sets forth the breakdown of our other reserves as of the indicated dates:

	2010	2011	2012
		RMB'000	
Other reserve as of 1 January	121,844	253,747	260,748
Capital injection to the PRC Operating Entity by its shareholders during the year	129,000	—	153,256
Capital increase of the PRC Operating Entity by capitalization of retained earnings	—	—	96,744
Appropriation to statutory reserves during the year	2,903	7,001	10,652
Other reserves as of 31 December	253,747	260,748	521,400

Our total equity increased by 23% from RMB287.5 million as of 31 December 2010 to RMB353.5 million as of 31 December 2011, primarily due to a 175% increase in our retained earnings from RMB33.7 million as of 31 December 2010 to RMB92.7 million as of 31 December 2011. Our total equity increased by 70.5% from RMB353.5 million as of 31 December 2011 to RMB602.8 million as of 31 December 2012, due to an increase in the paid in capital of the PRC Operating Entity from RMB250 million as of 31 December 2011 to RMB500 million as of 31 December 2012 through capital injection by the shareholders of RMB153.3 million and capitalization of retained earnings of RMB96.7 million. There was no change in our other reserves for the six month ended 30 June 2012 and 2013, respectively.

Total Liabilities

All our liabilities during the Track Record Period were current liabilities. Our total liabilities consist primarily of bank borrowings and amounts due to related parties. Our bank borrowings were RMB160.3 million, RMB350.5 million, RMB220.5 million and RMB270.6 million as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, accounting for 57.0%, 92.9%, 83.5% and 86.6% of our total liabilities as of the corresponding dates. We reduced our bank borrowings and funded our loans to customers increasingly from our retained earnings and/or paid-in capital of the PRC Operating Entity in the year ended 31 December 2012 and the six months ended 30 June 2013 in order to reduce our interest expenses. Our bank borrowings had maturities of no more than one year and bore fixed interest rates ranging from 5.84% to 6.12%, 6.39% to 8.25% and 6.39% to 8.20% per annum in the years ended 31 December 2010, 2011 and 2012, and 6.72% to 7.80% per annum in the six months ended 30 June 2013, respectively.

The following table sets fourth our amounts due to related parties as of the indicated dates:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000			
Amount due to Wuzhong Jiaye				
— Borrowings from Wuzhong Jiaye	111,184	—	—	—
— Directors' and senior management emoluments paid by Wuzhong Jiaye on behalf of the Group	640	—	—	—
	111,824	—	—	—
Amount due to ultimate shareholders	—	—	634	623
Amount due to Wuzhong America	—	4,568	15,734	15,467
Amount due to Wuzhong real estate	—	—	—	118
Total	111,824	4,568	16,368	16,208

We borrowed certain funds from Wuzhong Jiaye, and the outstanding amount of such borrowing was RMB111.2 million, as of 31 December 2010, accounting for 39.8% of our total liabilities as of the same date. Such loan was not in compliance with the relevant provision of the Pawning Measures that prohibits a pawn loan provider from taking loans from entities other than commercial banks and may subject us to potential penalties by the competent government authorities. For more details, see "Business — Legal Proceedings and Compliance — Historical Non-compliance" in this prospectus. The Directors do not expect our Company to enter into any loan transaction with any related party in the future. We also had an amount due to Wuzhong America of RMB4.6 million, RMB15.7 million and RMB15.5 million as of 31 December 2011 and 2012 and 30 June 2013, respectively, as Wuzhong America paid listing expenses to certain professional service provider in U.S. dollars in connection with the Global Offering on behalf of our Company. We are advised by our Legal Adviser that such payment by Wuzhong America on behalf of our Company, and not the PRC Operating Entity, is not regulated by and thus not in violation of the Pawning Measures. We expect to repay this amount upon Listing. Wuzhong America mainly conducts education-related businesses in the United States and its businesses are not relate to or in competition with our business.

Our total liabilities increased by 34.2% from RMB281.3 million as of 31 December 2010 to RMB377.3 million as of 31 December 2011, primarily due to a 118.7% increase in our bank borrowings from RMB160.3 million to RMB350.5 million partially offset by the elimination of the RMB111.2 million due to Wuzhong Jiaye which we repaid in full. In our efforts to achieve compliance with the relevant provisions of the Pawning Measures, which prohibit us from borrowing from any entity other than a commercial bank, we paid off all the loans from related parties in August 2011 and increased our bank borrowings accordingly. For more details, see "Business — Legal Proceedings and Compliance — Historical Non-compliance" in this prospectus.

Our total liabilities decreased by 30.0% from RMB377.3 million as of 31 December 2011 to RMB264.1 million as of 31 December 2012, primarily due to a 37.1% decrease in bank borrowings from RMB350.5 million as of 31 December 2011 to RMB220.5 million as of 31 December 2012.

Our total liabilities increased by 18.3% from RMB264.1 million as of 31 December 2012 to RMB312.5 million as of 30 June 2013, primarily due to a 22.7% increase in bank borrowings from RMB220.5 million as of 31 December 2012 to RMB270.6 as of 30 June 2013.

Net Current Assets and Liabilities

The following table sets forth the breakdown of our current assets and current liabilities as of the indicated dates:

	As of 31 December			As of 30 June	As of 31 August
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Other assets	10,576	5,009	12,319	13,507	20,028
Loans to customers	546,172	650,162	689,406	742,320	693,746
Cash at bank and on hand	8,461	61,439	159,081	217,716	263,578
Total	**565,209**	**716,610**	**860,806**	**973,543**	**977,352**
Current liabilities					
Bank borrowings	160,289	350,506	220,501	270,575	253,791
Amounts due to related parties	111,824	4,568	16,368	16,208	19,137
Current income tax liabilities	6,775	15,307	13,198	11,003	8,056
Other liabilities	2,373	6,950	14,076	14,735	15,474
Total	**281,261**	**377,331**	**264,143**	**312,521**	**296,458**
Net current assets	**283,948**	**339,279**	**596,663**	**661,022**	**680,894**

During the Track Record Period and as of 31 August 2013, the substantial majority of our current assets were loans to customers. For detailed discussion of our loans to customers during the Track Record Period, see "— Loans to Customers" in this section. Our current assets were RMB977.4 million as of 31 August 2013, which remained largely unchanged compared with the current assets of RMB973.4 million as of 30 June 2013.

During the Track Record Period and as of 31 August 2013, all our liabilities were current liabilities. For detailed discussion of our current liabilities during the Track Record Period, see "— total liabilities" in this section. Our current liabilities decreased by 5.1% from RMB312.5 million as of 30 June 2013 to RMB296.5 million as of 31 August 2013, primarily due to the decrease of banking borrowings from RMB270.6 million as of 30 June 2013 to RMB253.8 million as of 31 August 2013.

As a result of above, our net current assets increased by 3.0% from RMB661.0 million as of 30 June 2013 to RMB680.9 million as of 31 August 2013.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our capital expenditure, working capital and other liquidity requirements from our paid-in capital, our bank borrowings, borrowings from Wuzhong Jiaye, and cash generated from interest income. Taking into account the amount of cash currently held by us, cash flow from interest income, banking facilities available to us and the estimated net proceeds of the Global Offering, the Directors are of the opinion that our working capital is sufficient for our requirements for at least the next 12 months from the date of this prospectus. For more detailed discussion regarding liquidity, see "— Quantitative and Qualitative Disclosures on Financial Risks — Liquidity Risk" in this prospectus.

The following table sets forth a summary of our cash flow for the indicated periods:

	Year ended 31 December			As of 30 June	
	2010	2011	2012	2012	2013
			RMB'000		
				(unaudited)	
Cash and cash equivalents at beginning of period	12,295	8,461	61,439	61,439	59,081
Net cash (outflow)/inflow from operating activities	(246,352)	(133,873)	(32,624)	318,968	58,739
Net cash (outflow)/inflow from investing activities	(1,482)	(3,212)	7,010	(1,620)	(104)
Net cash inflow from financing activities	244,000	190,063	23,256	(100,000)	50,000
Cash and cash equivalents at end of period	8,461	61,439	59,081	278,787	167,716

Net Cash Flow from Operating Activities

Our cash flows from operating activities during the Track Record Period were mainly attributable to our profit before income tax, our loans to customers and our borrowings from Wuzhong Jiaye. As a result of the significant increase in our loans to customers following the increase in the approved registered capital of the PRC Operating Entity, we experienced negative operating cash flows in the years ended 31 December 2010, 2011 and 2012. See "Risk Factors — Risks Relating to Our Business — We recorded net cash outflow from operating activities during the Track Record Period and we may record net cash outflow from operating activities in the future as we expand our business" in this prospectus.

We had net cash outflow from operating activities of RMB246.4 million in the year ended 31 December 2010, primarily due to an increase in loans to customers of RMB323.0 million as a result of the expansion of our business and the increase in the approved registered capital and retained earnings of our PRC Operating Entity, partially offset by our profit before income tax of RMB38.9 million and an increase in borrowings from Wuzhong Jiaye of RMB44.0 million to fund our loans to customers. We had net cash outflow from operating activities of RMB133.9 million in the year ended 31 December 2011, primarily due to an increase in loans to customers of RMB103.4 million as a result of the expansion of our business and the increase in the approved registered capital and retained earnings of our PRC Operating Entity and repayment of borrowings from Wuzhong Jiaye of RMB111.8 million attributable to our efforts to comply with relevant provisions of the Pawning Measures by terminating loans from non-bank entities, partially offset by our profit before income tax of RMB89.5 million. We had net cash outflow from operating activities of RMB32.6 million in the year ended 31 December 2012, primarily due to term deposits with banks of RMB100.0 million and an increase of loans to customers of RMB41.4 million partially offset by profit before tax of RMB131.7 million. The increase of loans to customers amount in the year ended 31 December 2012 was significantly less than the increases of loans to customers amounts in the year ended 31 December 2010 and 2011 as a result of the remedial measures we took to reduce our outstanding loans to customers amount in the first half of 2012 to rectify our non-compliance with relevant provisions of Pawning Measures on aggregate loans to customers amount. For more details, see "Business — Historical Non-compliance — Remedial Measures" in this prospectus. We had net cash inflow from operating activities of RMB58.7 million in the six months ended 30 June 2013, primarily due to profit before tax of RMB86.0 million and expiration of term deposit with banks of RMB50.0 million, partially offset by an increase of loans to customers of RMB54.0 million and income tax paid of RMB24.5 million.

Net Cash Flow from Investing Activities

We had net cash outflow from investing activities of RMB1.5 million and RMB3.2 million in the years ended 31 December 2010 and 2011, respectively, primarily due to our purchase of property, plant and equipment. The increase was in line with the expansion of our business in 2011. We had net cash inflow from investing activities of RMB7.0 million in 2012 primarily due to RMB9.4 million of proceeds we received from the disposal of a property, partially offset by purchases of office equipment and intangible assets in the amount of RMB2.4 million. We had net cash outflow of RMB0.1 million in the six months ended 30 June 2013, primarily due to our purchase of property, plant and equipment.

Net Cash Flow from Financing Activities

Our net cash flow from financing activities consists of proceeds from bank borrowings, repayment of bank borrowings, and capital injection to the PRC Operating Entity from its shareholders. We had net cash inflow from financing activities of RMB244.0 million in the year ended 31 December 2010, primarily due to proceeds from bank borrowings of RMB160.0 million and a capital injection to the PRC Operating Entity of RMB129.0 million as a result of the approval of the increase of the registered capital of the PRC Operating Entity, partially offset by the repayment of bank borrowings of RMB45.0 million. We had net cash inflow from financing activities of RMB190.1 million in the year ended 31 December 2011, primarily due to proceeds from bank borrowings of RMB350.0 million, partially offset by the repayment of bank borrowings of RMB160.0 million. We had net cash inflow from financing activities of RMB23.3 million primarily due to proceeds from bank borrowings of RMB470.0 million and a capital injection to the PRC Operating Entity of RMB153.3

million, partially offset by the repayment of bank borrowings of RMB600.0 million. We had net cash inflow of RMB50 million in the six months ended 30 June 2013, primarily due to proceeds from bank borrowings of RMB310 million, partially offset by the repayments of bank borrowings of RMB260 million.

CASH AND CASH EQUIVALENTS

As a result of the above, our cash and cash equivalents increased by RMB53.0 million in the year ended 31 December 2011, and decreased by RMB2.4 million in the year ended 31 December 2012, and increased by RMB108.6 million in the six months end 30 June 2013, respectively.

CAPITAL EXPENDITURE

Our capital expenditure consists primarily of purchases of property, plant and equipment. Our capital expenditure was RMB1.5 million, RMB3.2 million and RMB2.4 million in the years ended 31 December 2010, 2011 and 2012, and RMB0.1 million in the six months ended 30 June 2013, respectively, and related primarily to expenditures associated with the establishment of new branch offices and expansion of operations during these years.

SOURCE OF FUNDS AND INDEBTEDNESS

Historically, our sources of funds included the paid-in capital of the PRC Operating Entity, retained earnings, bank borrowings and borrowings from Wuzhong Jiaye. As of 31 August 2013, we do not have any borrowings from Wuzhong Jiaye and the Directors do not expect to enter into any loan transactions with Wuzhong Jiaye or any other related party in the future.

We have credit facilities of RMB80 million and RMB250 million with the Bank of Jiangsu and the Bank of Suzhou, respectively. We had drawn down RMB80 million and RMB170 million from the Bank of Jiangsu and the Bank of Suzhou, respectively, and had an unutilised credit facility of RMB80 million as of 31 August 2013. The credit facilities with the Bank of Jiangsu and the Bank of Suzhou will expire on 12 March 2014 and 31 December 2013, respectively. The following table sets forth our outstanding bank loan amounts and terms as of 31 August 2013:

	Principal amount	Term	Expiration Date
	RMB'000		
The Bank of Jiangsu	40,000	6 months	10 October 2013
	40,000	6 months	14 October 2013
Total	**80,000**		
The Bank of Suzhou	50,000	5 months	31 December 2013
	30,000	5 months	31 December 2013
	40,000	4 months	31 December 2013
	50,000	8 months	31 December 2013
Total	**170,000**		
Total bank borrowing	**250,000**		

The loan agreements for these bank loans contained standard financial convents, such as the obligation to provide information upon request during the terms of the loans, but not any specific financial ratio to be complied with. As of 31 August 2013, all of the RMB330 million loans are guaranteed by Wuzhong Group. We have received confirmation from the Bank of Jiangsu and the Bank of Suzhou that upon Listing they will release the guarantee by Wuzhong Group. We had never defaulted on our bank loans and were able to renew the loans upon their expiration during the Track Record Period. Judging from historical dealings with these banks and our estimated cash flow from operations, we believe we will be able to renew or repay our bank loans with our working capital as such bank loans become due. As of 31 August 2013, we were in compliance with all financial covenants and other requirements set forth in the loan agreements with the Bank of Jiangsu and the Bank of Suzhou. The Directors confirm that there has been no material change in the Company's indebtedness and contingent liabilities since 31 August 2013.

As of 31 August 2013, except for bank borrowings disclosed above and intra-group liabilities, and we did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

CONTRACTUAL OBLIGATIONS

The table below sets forth future aggregate minimum lease payments under non-cancellable operating leases:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	RMB'000			
No later than 1 year	1,736	1,741	2,761	2,785
Later than 1 year and no later than 5 year	4,314	4,392	5,005	4,012
Later than 5 years	385	262	100	50
Total	6,435	6,395	7,866	6,847

For our other contractual obligations, see "— Quantitative and Qualitative Disclosures on Financial Risks — Liquidity Risk" in this prospectus.

As of the Latest Practicable Date, we had no other material contractual obligations or commitments.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had no off-balance sheet arrangements except collateral securing our loans to customers.

OTHER KEY FINANCIAL DATA AND OPERATING METRICS

We monitor certain operating metrics that we believe are commonly used in the banking or short-term financing industry and important for benchmarking our company against other short term financing providers. The table below sets forth key operating metrics as of and in the years ended 31 December 2010, 2011 and 2012, and as of and in the six months ended 30 June 2013.

	As of and in the year ended 31 December			As of and in the six months ended 30 June*
	2010	2011	2012	2013
Return ratios				
Return on average equity(1)	13.9%	20.6%	20.1%	20.2%
Return on average assets(2)	7.0%	10.2%	12.0%	13.9%
Profitability ratios				
Net interest margin(3)	14.3%	19.0%	23.9%	24.6%
Gross loan yield(4)	17.0%	22.5%	30.6%	32.7%
Efficiency ratio				
Cost to income ratio(5)	28.5%	26.8%	28.5%	21.9%
Asset quality				
Charge-off ratio(6)	0.5%	—	0.3%	0.1%
Impaired loan ratio(7)	0.3%	0.2%	0.6%	0.1%
Capital utilisation ratio				
Gross loans to total assets(8)	97.1%	89.5%	80.3%	76.3%
Bank borrowings to total equity(9)	55.8%	99.1%	36.6%	40.6%

Notes:

* on an annualised basis

(1) Return on average equity equals profit attributable to equity holders of an indicated period divided by the average of the beginning and the ending balance of total equity of the same period and multiplied by 100%.

(2) Return on average assets equals profit attributable to equity holders of an indicated period divided by the average of the beginning and the ending balance of total assets of the same period and multiplied by 100%.

(3) Net interest margin equals net interest income of an indicated period divided by the average of the beginning and the ending balances of interest earning assets, which equals the sum of the balances of (i) loans to customers; (ii) deposit with banks; and (iii) amount due from related party of the same period and multiplied by 100%.

(4) Gross loan yield ratio equals the interest income from loans to customers of an indicated period divided by the average of the beginning and the ending balances of the gross loan amount of the same period and multiplied by 100%.

(5) Cost to income ratio equals administrative expenses of an indicated period divided by net revenue of the same period and multiplied by 100%.

(6) Charge-off ratio equals the impairment charge of an indicated period divided by the ending balance of the gross amount of loans to customers of the same period and multiplied by 100%.

(7) Impaired loan ratio equals the amount of impaired loans balance as of an indicated date divided by the gross amount of loans to customers as of the same date and multiplied by 100%.

(8) Gross loans to total assets ratio equals the gross loans to customers amount as of the indicated date divided by the total assets as of the same date and multiplied by 100%.

(9) Bank borrowings to total equity ratio equals the bank borrowings as of the indicated date divided by the total equity as of the same date and multiplied by 100%.

Return on Average Equity

Return on average equity was 13.9%, 20.6%, 20.1% and 20.2% in the years ended 31 December 2010, 2011 and 2012 and in the six months ended 30 June 2013, respectively. The increase from 2010 to 2011 was primarily due to the proportionally larger increase in our profit attributable to equity holders as compared to the increase in our total equity, as a result of the increasing demand for short-term financing in the Greater Suzhou Area, which enhanced our pricing power, and improvement of our operating efficiency as we scaled our business. The decrease from 2011 to 2012 was primarily due to the increase in the approved registered capital of the PRC Operating Entity from RMB250 million to RMB500 million in September 2012. The return on average equity in the six month ended 30 June 2013 was stable compared with the year ended 31 December 2012. For more details, see "Business — Short-term Secured Financing Business — Pricing and Interest Charged" in this prospectus.

Return on Average Assets

Return on average assets was 7.0%, 10.2%, 12.0% and 13.9% in the years ended 31 December 2010, 2011 and 2012 and in the six months ended 30 June 2013, respectively, and the increase was primarily due to the proportionally larger increase in our profit attributable to equity holders as compared to the increase in our total assets, as a result of the improvement of our loan yield.

Net Interest Margin

Net interest margin was 14.3%, 19.0%, 23.9% and 24.6% in the years ended 31 December 2010, 2011, and 2012 and in the six months ended 30 June 2013, respectively, and the increase was primarily due to the higher increase in our net interest incomes as compared to the increase in the amount of our loans to customers as a result of (i) favourable interest rate environment as a result of the government's policy to tighten bank lending during the Track Record Period; (ii) the increasing demand for short-term financing in the Greater Suzhou Area which enhanced our pricing power; and (iii) our efforts to structure our loan portfolio to favour loans secured by real estate collateral for which we can charge a higher maximum effective interest rate compared to loans secured by equity interest collateral pursuant to the Pawning Measures.

Gross Loan Yield

Gross loan yield was 17.0%, 22.5%, 30.6% and 32.7% in the years ended 31 December 2010, 2011 and 2012 and in the six months ended 30 June 2013, respectively, and the increase was primarily due to (i) favourable interest rate environment as a result of the government's recent policy to tighten bank lending; (ii) the increasing demand for short-term financing in the Greater

Suzhou Area which enhanced our pricing power; and (iii) our efforts to structure our loan portfolio to favour loans secured by real estate collateral for which we usually charge higher effective interest rates compared to loans secured by equity interest collateral.

Cost to Income ratio

Cost to income ratio was 28.5%, 26.8%, 28.5% and 21.9% in the years ended 31 December 2010, 2011 and 2012, and in the six months ended 30 June 2013, respectively. The decrease from 2010 to 2011 was primarily due to a proportionally smaller increase in administrative expenses as compared to the increase in net revenue, as a result of the improvement of our operational efficiency which benefits from economies of scale as we expanded our business and our implementation of cost control initiatives. The increase from 2011 to 2012 and the decrease from 2012 to the six months ended 30 June 2013 were primarily due to the professional and consultancy fees we incurred in connection with the Global Offering in 2012.

Charge-off Ratio

Charge-off ratio was 0.5%, nil, 0.3% and 0.1% in the years 31 ended December 2010, 2011 and 2012 and the six months ended 30 June 2013, respectively, and the decrease from 2010 to 2011 was primarily due to a decrease in our impairment charge and an increase in the gross amount of our loans to customers, as a result of the improvement of our risk management and internal control which improved the overall quality of our loan portfolio. Charge-off ratio was nil in the year ended 31 December 2011 due to the reversal of collectively assessed impairment charge of RMB1.3 million, resulting in a total write-back of RMB0.5 million. The charge-off ratio of 0.3% in the year ended 31 December 2012 was primarily due to an individually assessed impairment charge of RMB3.1 million primarily attributable to a uncollectible loan with a principal amount of RMB3.1 million in 2012. The decrease from 2012 to the six months ended 30 June 2013 was primarily due to the decrease in the impairment charge.

Impaired Loan Ratio

Impaired loan ratio was 0.3%, 0.2%, 0.6% and 0.1% as of 31 December 2010, 2011, and 2012 and 30 June 2013, respectively, and the decrease from 2010 to 2011 was primarily due to our ability to keep the individually impaired loan amount low while we increased our gross loans to customers amount as a result of the improvement of our risk management and internal control. Impaired loan ratio increased in 2012 primarily due to an individually assessed impairment charge associated with a uncollectible loan with a principal amount of RMB3.1 million in 2012. The decrease as of 30 June 2013 as compared with 31 December 2012 was primarily due to our continued efforts to improve the quality of our loan portfolio and reduce overdue and defaulted loan amount.

Gross Loans to Total Assets

Our gross loans to total assets ratio was 97.1%, 89.5%, 80.3% and 76.3% as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively, the decrease was primarily the result of the equity contributions to the PRC Operating Entity from the PRC Shareholders and our efforts to fully comply with the relevant provisions of the Pawning Measures relating to aggregate loan amount thresholds since second quarter of 2012.

Bank Borrowings to Total Equity

Our bank borrowings to total equity ratio was 55.8%, 99.1%, 36.6% and 40.6% as of 31 December 2010, 2011 and 2012 and 30 June 2013, respectively. The increase from 2010 to 2011 was due to our repaying loans borrowed from Wuzhong Jiaye and replacing them with bank borrowings to comply with the relevant provision in the Pawning Measures with regard to source of funds. The decrease from 31 December 2011 to 31 December 2012 was primarily due to the decrease in our bank borrowings as of 31 December 2012 and the increase in our total equity due to the increase of the approved registered capital of the PRC Operating Entity in September 2012. The increase from 31 December 2012 to 30 June 2013 was primarily due to the increase in bank borrowings as of 30 June 2013.

DIVIDEND AND DIVIDEND POLICY

We did not declare dividends to Shareholders during the Track Record Period.

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. Our Directors have determined that all of our accumulated earnings prior to 31 December 2013 will be retained by the PRC Operating Entity and Huifang Tongda. We currently intend to pay dividends of approximately 30% of our profits available for distribution of each fiscal year beginning from the year ending 31 December 2014. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. The amounts of distribution that we have declared and made in the past should not be taken as indications of the dividends, if any, that we may pay in the future.

Our ability to declare future dividends will depend on the availability of dividends, if any, we receive from our PRC subsidiaries. In addition, under PRC laws and articles of association of our PRC subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In general, we will not declare dividends in a year when we do not have any distributable earnings. For more details on risks related to dividend payments, see "Risk Factors — Risks Relating to the Global Offering and Our Shares — We may not be able to distribute dividends to our Shareholders".

QUANTITATIVE AND QUALITATIVE DISCLOSURES ON FINANCIAL RISKS

Our activities expose us 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 risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. Our aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on our financial performance.

The Risk Management Committee is our primary risk control entity, which designs the overall risk management strategy by taking into consideration of regulatory environment, market conditions and particular aspects of our operations. Our risk control department is dedicated to daily risk control undertakings and responsible for ensuring that each loan approval process duly comply with relevant governmental rules and regulations, as well as our risk control policy. For more details, see "Business — Risk Management — Credit Risk Management" in this prospectus.

Credit Risk

Credit risk is one of the main risks we are exposed to, which arises principally in our loans to customers. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in our loan portfolio, could result in losses that are different from those provided for at the balance sheet date.

Our risk management policy sets out various operational instruction, guidelines, policies and risk control measures for our business which are designed to minimise our credit risk, and is tied up to our collateral appraisal and collateral disposal policies. We manage the default risks associated with our loans mainly by implementing rigorous and multi-level loan approval and collateral appraisal procedures. For more details, see "Business — Short-term Secured Financing Business — Loan Process — Loan approval" and "Business — Short-term Secured Financing Business — Collateral Appraisal" in this prospectus.

As a credit risk control measure, we make impairment assessment of our loans to customers at each balance sheet date. We assess our loans for impairment, determine a level of allowance for impairment in the balance sheet, and recognise corresponding impairment charge for credit losses separately in the income statement. For more details, see " — Description of Certain Line Items in the Consolidated Statements of Financial Position — Impairment Charge on Loans to Customers" in this prospectus.

Interest Rate Risk

Our exposure to market risk is primarily attributable to interest rate risk arising from loans to customers and bank borrowings. We have established policies and procedures for monitoring and managing 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. We take on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

Our most significant interest-bearing assets and liabilities are loans to customers and bank borrowings, which both bear fixed interest rates and, as a result, generate net cash flows independent of market interest rates. Contractual interest rate re-pricing is matched with the maturity date of each pawn loan granted to customers, or to the maturity date of bank borrowings. As of the relevant balance sheet dates, maturity dates of loans to customers are all within six months, while maturity dates of bank borrowings are within 12 months.

Demand deposit with banks, balances due from or due to Wuzhong Jiaye at variable rate exposes us to cash flow interest rate risk.

We are exposed to interest rate risks which arise from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. The pricing of our loans to customers are directly or indirectly tied to prevailing benchmark interest rates. As such, the interest income we receive is closely tied to the interest rate environment in China. Additionally, customer demand for our loans may be affected by prevailing interest rates, with demand increasing during periods of monetary contraction with increased demand for alternatives to traditional bank financing.

We regularly calculate the impact on profit or loss of a possible interest rate shift on its portfolio of loans to customers, bank borrowings and interest bearing bank deposits and related party balances.

Based on the simulations performed and with other variables held constant, the profit before income tax in the years ended 31 December 2010, 2011 and 2012, and in the six months ended 30 June 2013 would decrease (or increase) by approximately RMB2.2 million, RMB2.1 million, RMB1.8 million and RMB2.1 million, respectively, should the interest rate increase (or decrease) by 1%, mainly as a result of higher/lower interest expense on fixed-rate bank borrowings arising from interest rate repricing. Interest rates on interest-bearing financial assets, primarily loans to customers, are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

Liquidity Risk

We are exposed to liquidity risk that we may be unable to meet our obligations when they are due as a result of cash requirements from contractual commitments. The table below sets forth our financial liabilities categorised into relevant maturity groups 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. Judging from historical dealings with the banks and our estimated cash flow, we believe we will be able to renew or repay our bank loans with our working capital as such bank loans become due.

	Repayable on demand or within 1 month	1–3 months	3–6 months	6–12 months	Total
			RMB'000		
As of 31 December 2010					
Bank borrowings	60,581	—	61,526	42,270	164,377
Amount due to a related party	—	111,657	—	—	111,657
Other financial liabilities	155	—	—	—	155
Total financial liabilities	60,736	111,657	61,526	42,270	276,189
As of 31 December 2011					
Bank borrowings	140,989	—	71,769	150,561	363,319
Amount due to a related party	4,568	—	—	—	4,568
Other financial liabilities	544	—	—	—	544
Total financial liabilities	146,101	—	71,769	150,561	368,431
As of 31 December 2012					
Bank borrowings	141,179	—	81,605	—	222,784
Amount due to related parties	16,368	—	—	—	16,368
Other financial liabilities	1,276	—	—	—	1,276
Total financial liabilities	158,823	—	81,605	—	240,428
As of 30 June 2013					
Bank borrowings	101,010	40,267	133,572	—	274,849
Amount due to related parties	16,208	—	—	—	16,208
Other financial liabilities	794	—	—	—	794
Total financial liabilities	118,012	40,267	133,572	—	291,851

We manage our liquidity risk by actively monitoring our cash flow, bank borrowings and the amount of loans to customers and by projecting cash flows and evaluating the level of our current assets. Our financing department is responsible for managing liquidity as we aggregate and manage all Substantial Loans at our headquarters. For more details, see "Business — Risk Management — Liquidity Risk Management" in this prospectus.

FINANCIAL INSTRUMENTS

As of the Latest Practicable Date, we had not entered into any financial instruments for hedging purposes.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 11 November 2011, our distributable reserves which are available for distribution to shareholders as of 30 June 2013 amounted to approximately RMB341.7 million.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm, after having performed sufficient due diligence, that since 30 June 2013 (which includes the period from 30 June 2013, being the date of our latest consolidated financial position as set out in Appendix I to this prospectus, to the date of this prospectus):

- there has been no material adverse change in the financial and trading position or prospects; and

- there has been no material event that would affect the information contained in the Accountant's Report as set out in Appendix I to this prospectus and in the section headed "Financial Information" in this prospectus.