The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

16 October 2013

The Directors
China Huirong Financial Holdings Limited
UBS Securities Hong Kong Limited

Dear Sirs,

We report on the financial information of China Huirong Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated statements of financial position as at 31 December 2010, 2011 and 2012, and 30 June 2013, the statement of financial position of the Company as at 31 December 2011 and 2012, and 30 June 2013, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 16 October 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 31 December 2011, the Company became the holding company of the subsidiaries comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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No audited financial statements have been prepared by the Company and it has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian LLP. (普華永道中天會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA under separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2011 and 2012, 30 June 2013, and of the Group as at 31 December 2010, 2011 and 2012, and 30 June 2013, and of the Group's results and cash flows for the Relevant Periods.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended 30 June 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2010, 2011 and 2012, and 30 June 2013, and for each of the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2013 (the "Financial Information"):

(a) Consolidated Statements of Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	6	66,552	136,228	208,460	120,108	119,563
Interest expense	7	(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	8	1,050	1,462	796	90	115
Net revenue		**58,152**	**121,530**	**187,206**	**106,612**	**111,092**
Administrative expenses	9	(16,554)	(32,599)	(53,320)	(32,785)	(24,377)
(Net charge)/reversal of impairment allowance on loans to customers	20(c)	(2,831)	548	(2,183)	(558)	(1,066)
Other gains/(losses), net		115	25	43	(37)	374
Profit before income tax		**38,882**	**89,504**	**131,746**	**73,232**	**86,023**
Income tax expense	12	(9,855)	(23,495)	(35,705)	(20,363)	(22,046)
Profit for the year/period, attributable to the equity holders of the Company		**29,027**	**66,009**	**96,041**	**52,869**	**63,977**
Other comprehensive income for the year/period, net of tax		—	—	—	—	—
Total comprehensive income for the year/period, attributable to the equity holders of the Company		**29,027**	**66,009**	**96,041**	**52,869**	**63,977**
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)						
— Basic and diluted earnings per share	13	3.72	8.46	12.31	6.78	8.20
Dividends	14	—	—	—	—	—

The earnings per share presented above has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 6 October 2013 (note 30(a)) because the proposed capitalisation issue has not become affective as at the date of this report.

(b) Consolidated Statements of Financial Position

		As at 31 December			As at 30 June
		2010	2011	2012	2013
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investment properties	15	—	9,107	—	—
Property, plant and equipment	16	1,836	3,412	3,907	3,277
Intangible assets	17	—	—	357	339
Deferred income tax assets	18	1,687	1,745	1,913	2,179
		3,523	**14,264**	**6,177**	**5,795**
Current assets					
Other assets	19	10,576	5,009	12,319	13,507
Loans to customers	20	546,172	650,162	689,406	742,320
Cash at bank and on hand	21	8,461	61,439	159,081	217,716
		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 of the Company					
Share capital	22	—	63	63	63
Other reserves	23	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	25	160,289	350,506	220,501	270,575
Amounts due to related parties	29(c)	111,824	4,568	16,368	16,208
Current income tax liabilities		6,775	15,307	13,198	11,003
Other liabilities	24	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**

(c) Statements of Financial Position of the Company

	Note	As at 31 December 2011 RMB'000	As at 31 December 2012 RMB'000	As at 30 June 2013 RMB'000
ASSETS				
Non-current assets				
Interests in subsidiaries	26	357,492	357,492	357,492
		357,492	357,492	357,492
Current assets				
Other assets	19	2,840	9,732	11,018
Amount due from a related party	29(c)	—	633	623
Cash at bank and on hand	21	63	63	62
		2,903	10,428	11,703
Total assets		**360,395**	**367,920**	**369,195**
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the Company				
Share capital	22	63	63	63
Other reserves		357,492	357,492	357,492
Accumulated losses		(4,014)	(14,435)	(15,794)
Total equity		**353,541**	**343,120**	**341,761**
Liabilities				
Current liabilities				
Amounts due to related parties	29(c)	4,568	17,324	17,532
Other liabilities	24	2,286	7,476	9,902
Total liabilities		**6,854**	**24,800**	**27,434**
Total equity and liabilities		**360,395**	**367,920**	**369,195**
Net current liabilities		**(3,951)**	**(14,372)**	**(15,731)**
Total assets less current liabilities		**353,541**	**343,120**	**341,761**

(d) Consolidated Statements of Changes in Equity

	Note	Share capital	Other reserves	Retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2010		**—**	**121,844**	**7,600**	**129,444**
Comprehensive income					
Profit for the year		—	—	29,027	29,027
Other comprehensive income		—	—	—	—
Total comprehensive income for the year		—	—	29,027	29,027
Appropriation to statutory reserves	23	—	2,903	(2,903)	—
Transactions with owners					
Capital injection to a subsidiary by its then equity holders	23	—	129,000	—	129,000
As at 31 December 2010		**—**	**253,747**	**33,724**	**287,471**
Comprehensive income					
Profit for the year		—	—	66,009	66,009
Other comprehensive income		—	—	—	—
Total comprehensive income for the year		—	—	66,009	66,009
Appropriation to statutory reserves	23	—	7,001	(7,001)	—
Transactions with owners					
Issuance of ordinary shares	22	63	—	—	63
As at 31 December 2011		**63**	**260,748**	**92,732**	**353,543**
Comprehensive income					
Profit for the year		—	—	96,041	96,041
Other comprehensive income		—	—	—	—
Total comprehensive income for the year		—	—	96,041	96,041
Appropriation to statutory reserves	23	—	10,652	(10,652)	—
Transactions with owners					
Issuance of ordinary shares	22	63	—	—	—
Repurchase of ordinary shares	22	(63)	—	—	—
Capital injection to a subsidiary by its then equity holders	23	—	153,256	—	153,256
Capital increase of a subsidiary by capitalisation of its retained earnings	23	—	96,744	(96,744)	—
As at 31 December 2012		**63**	**521,400**	**81,377**	**602,840**

	Note	Share capital	Other reserves	Retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
As at 1 January 2012		63	260,748	92,732	353,543
Comprehensive income					
Profit for the period		—	—	52,869	52,869
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	52,869	52,869
Transactions with owners					
Issuance of ordinary shares	22	63	—	—	—
Repurchase of ordinary shares	22	(63)	—	—	—
As at 30 June 2012		63	260,748	145,601	406,412
As at 1 January 2013		63	521,400	81,377	602,840
Comprehensive income					
Profit for the period		—	—	63,977	63,977
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	63,977	63,977
As at 30 June 2013		63	521,400	145,354	666,817

(e) Consolidated Statements of Cash Flows

	Note	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
Cash flows from operating activities						
Profit before income tax		38,882	89,504	131,746	73,232	86,023
Adjustments for:						
Interest expense	7	9,450	16,160	22,050	13,586	8,586
Net charge/(reversal) of impairment allowance on loans to customers	20(c)	2,831	(548)	2,183	558	1,066
Depreciation	9	1,028	2,051	1,774	1,087	752
Gain on disposal of investment properties	8	—	—	(529)	—	—
		52,191	107,167	157,224	88,463	96,427
Change in operating assets and liabilities:						
— Other assets		(6,899)	(3,955)	(7,310)	(4,705)	(1,189)
— Loans to customers		(322,989)	(103,442)	(41,427)	258,157	(53,980)
— Term deposits with banks		—	—	(100,000)	—	50,000
— Other liabilities		1,767	4,577	7,126	7,501	660
— Amount due from a related party	29(b)	11,250	—	—	—	—
— Borrowings from a related party		43,991	(111,824)	—	—	—
— Amounts due to related parties	29(b)	(11,250)	4,568	11,800	8,395	(161)
Cash (used in)/generated from operations		(231,939)	(102,909)	27,413	357,811	91,757
Interest paid		(9,241)	(15,943)	(22,055)	(13,472)	(8,512)
Income tax paid		(5,172)	(15,021)	(37,982)	(25,371)	(24,506)
Net cash (outflow)/inflow from operating activities		**(246,352)**	**(133,873)**	**(32,624)**	**318,968**	**58,739**
Cash flows from investing activities						
Proceeds from disposal of investment properties		—	—	9,373	—	—
Purchases of property, plant and equipment		(1,482)	(3,212)	(2,003)	(1,620)	(104)
Purchases of intangible asset	17	—	—	(360)	—	—
Net cash (outflow)/inflow from investing activities		**(1,482)**	**(3,212)**	**7,010**	**(1,620)**	**(104)**

	Note	Year ended 31 December 2010 RMB'000	2011 RMB'000	2012 RMB'000	Six months ended 30 June 2012 RMB'000 (Unaudited)	2013 RMB'000
Cash flows from financing activities						
Proceeds from bank borrowings		160,000	350,000	470,000	20,000	310,000
Repayments of bank borrowings		(45,000)	(160,000)	(600,000)	(120,000)	(260,000)
Proceeds from issuance of ordinary shares		—	63	63	63	—
Repurchase of ordinary shares		—	—	(63)	(63)	—
Capital injection to a subsidiary by its then equity holders	23	129,000	—	153,256	—	—
Net cash inflow/(outflow) from financing activities		**244,000**	**190,063**	**23,256**	**(100,000)**	**50,000**
Net (decrease)/increase in cash and cash equivalents		**(3,834)**	**52,978**	**(2,358)**	**217,348**	**108,635**
Cash and cash equivalents at beginning of year/period		12,295	8,461	61,439	61,439	59,081
Cash and cash equivalents at end of year/period		**8,461**	**61,439**	**59,081**	**278,787**	**167,716**

II NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the "Company") was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law (2010 revision) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

1.2 Reorganisation

Before completion of the reorganisation as described below, the operation of the Group was carried out by Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司) ("Wuzhong Pawnshop"), a company established in the PRC, during the Relevant Periods. Wuzhong Pawnshop was operated and ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (the "Ultimate Shareholders").

In preparation of the initial listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), a reorganisation (the "Reorganisation") was carried out to transfer Wuzhong Pawnshop to the Company by way of the following steps:

(1) On 11 November 2011, the Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 50,000 shares having a par value of US$1 each. An aggregate of 10,000 shares of US$1 each were allotted and issued by the Company to the eight holding companies incorporated in the British Virgin Islands ("BVI"), each of which is owned by an individual Ultimate Shareholder respectively.

On 2 May 2012, resolutions were passed by the shareholders of the Company to increase the authorised share capital by HK$100,000,000 by the creation of 10,000,000,000 new shares of a par value of HK$0.01 each (the "Shares"). An aggregate of 7,800,000 Shares were allotted and issued by the Company to the eight holding companies incorporated in the BVI in proportion to their respective shareholdings in the Company. At the same time the Company repurchased the 10,000 issued shares of par value of US$1 each at a price of US$1 per such issued share. Following such repurchase, the Company cancelled the 50,000 authorised but unissued shares of a par value of US$1 each.

(2) On 22 November 2011, Sifang Investment Limited (四方投資有限公司) was incorporated in the BVI as a wholly-owned subsidiary of the Company with one share of US$1 allotted and issued to the Company.

(3) On 5 December 2011, Huifang Investment Limited (匯方投資有限公司) was incorporated in Hong Kong as a wholly-owned subsidiary of Sifang Investment Limited with one share of HK$1 allotted and issued to Sifang Investment Limited.

(4) On 29 December 2011, Suzhou Huifang Management Consulting Company Limited (蘇州匯方管理諮詢有限公司) ("Suzhou Huifang") was established as a wholly foreign-owned enterprise in the PRC with Huifang Investment Limited being its sole equity-holder. The registered capital of Suzhou Huifang on its date of establishment was US$100,000.

(5) Pursuant to a series of contractual agreements signed on 31 December 2011 (the "Contractual Agreements") between Suzhou Huifang, Wuzhong Pawnshop, Wuzhong Pawnshop's direct equity holders namely Jiangsu Wuzhong Jiaye Investment Co., Ltd. (江蘇吳中嘉業投資有限公司) ("Wuzhong Jiaye") and Suzhou New District Hengyue Management Consulting Co., Ltd. (蘇州新區恒悦管理諮詢有限公司) ("Hengyue Consulting"), and their respective equity holders, Suzhou Huifang obtained the power to govern the financial and operating policies of Wuzhong Pawnshop so as to derive benefits from its business activities. Accordingly, Wuzhong Pawnshop became a subsidiary of Suzhou Huifang. Further details of the Contractual Agreements are set out in Note 2.2.1(a) below. Upon completion of the Reorganisation, the Company became the holding company of the Group.

(6) On 10 February 2012, Suzhou Huifang Tongda Management Consulting Company Limited (蘇州匯方同達管理諮詢有限公司) ("Suzhou Tongda") was established in the PRC as a wholly-owned subsidiary of Suzhou Huifang. On 29 February 2012, Suzhou Tongda, Suzhou Huifang, Wuzhong Pawnshop, Wuzhong Jiaye, Hengyue Consulting and the equity holders of Wuzhong Jiaye and Hengyue Consulting entered into a transfer agreement ("Transfer Agreement") whereby the parties agreed to transfer all the rights and obligations under the Contractual Agreements, including those rights and obligations already exist as at the date of the Transfer Agreement and all rights and obligations thereafter, from Suzhou Huifang to Suzhou Tongda.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of subsidiary	Country/ place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of issued and fully paid share capital/ registered capital	Interest directly held	Interest indirectly held	Principal activities	Note
Sifang Investment Limited (四方投資有限公司)	BVI	22 November 2011	Limited company	1 share of US$1	100%	—	Investment holding	(iii)
Tongda Investment Limited (同達投資有限公司)	BVI	22 November 2011	Limited company	1 share of US$1	—	100%	Investment holding	(iii)
Rongda Investment Limited (融達投資有限公司)	Hong Kong	5 December 2011	Limited company	1 share of HK$1	—	100%	Investment holding	(iii)
Huifang Investment Limited (匯方投資有限公司)	Hong Kong	5 December 2011	Limited company	1 share of HK$1	—	100%	Investment holding	(iii)
Suzhou Huifang Management Consulting Company Limited (蘇州匯方管理諮詢有限公司) ("Suzhou Huifang")	The PRC	29 December 2011	Limited company	US$100,000	—	100%	Management and marketing consulting	(ii)
Suzhou Huifang Tongda Management Consulting Company Limited (蘇州匯方同達管理諮詢有限公司) ("Suzhou Tongda")	The PRC	10 February 2012	Limited company	RMB100,000	—	100%	Management and marketing consulting	(ii)
Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司) ("Wuzhong Pawnshop")	The PRC	21 December 1999	Limited company	RMB500,000,000	—	100%	Pawnshop services	(i)

Notes:

(i) Statutory financial statements of Wuzhong Pawnshop for each of the years ended 31 December 2010 and 2011 were audited by Kunshan Gongxin CPA Co., Ltd. Statutory financial statements of Wuzhong Pawnshop for the year ended 31 December 2012 were audited by Suzhou Tianping CPA Co., Ltd. Although the Group does not have any equity interest in Wuzhong Pawnshop, the Group effectively controls Wuzhong Pawnshop as Suzhou Tongda has the power to govern the financial and operating policies of Wuzhong Pawnshop so as to derive benefits from its business activities.

(ii) Statutory financial statements of Suzhou Huifang and Suzhou Tongda for the year ended 31 December 2012 were audited by Suzhou Changcheng CPA Co., Ltd. No audited statutory financial statements were prepared for Suzhou Huifang for the period ended 31 December 2011 as they were not required.

(iii) Except for the PRC and Hong Kong companies, no statutory financial statements were prepared for other subsidiaries as they were not required to issue audited financial statements under the respective local statutory requirements.

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

1.3 Basis of presentation

Immediately prior to and following the Reorganisation, there is no change in the operation of the Group and the Ultimate Shareholders. The operation of the Group was and will continue to be conducted primarily through Wuzhong Pawnshop, which is one of the subsidiaries of the Company after completion of the Reorganisation. The Company and its other subsidiaries have not been involved in any business before the Reorganisation. The Reorganisation involved primarily the insertion of the Company and its other subsidiaries owned by the Ultimate Shareholders, who also owned Wuzhong Pawnshop, as holding companies of Wuzhong Pawnshop. Accordingly, the Reorganisation is accounted for using the accounting principle which is similar to that of a reverse acquisition. The consolidated financial statements of the Group have been prepared on a consolidated basis and are presented using the carrying values of the assets, liabilities and operating results for the Relevant Periods of the companies comprising the Group including Wuzhong Pawnshop.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention.

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

The following new standards, amendments and interpretations have been issued but are not effective for the annual accounting period beginning 1 July 2013 and have not been early adopted:

HKFRS 9	Financial Instruments
HKAS 32 (Amendment)	Financial Instruments: Presentation, on Assets and Liabilities Offsetting
HKFRS 10, 12 and HKAS 27 (Revised 2011) (Amendment)	Investment Entities

HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

HKAS 32 (Amendment), "Financial instruments: Presentation — on assets and liabilities offsetting". The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The amendment will be effective for annual periods beginning on or after 1 January 2014.

HKFRS 10, 12 and HKAS 27 (Revised 2011) (Amendment), "Investment entities", provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The Group anticipates that the adoption of the above new and revised HKFRSs would not have a significant impact on the Group's results of operations and financial position. No other new standards, amendments and interpretations that have been issued but are not effective for the accounting period beginning 1 July 2013 would have impact on the Group's results of operations and financial position.

2.2 Subsidiaries

2.2.1 *Consolidation*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(a) *Subsidiary from Reorganisation*

The wholly owned subsidiary, Suzhou Tongda, has entered a series of Contractual Agreements with Wuzhong Pawnshop, Wuzhong Jiaye, Hengyue Consulting and the equity holders of Wuzhong Jiaye and Hengyue Consulting, which enables the Group to:

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

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

(b) *Subsidiaries other than from Reorganisation*

Except for the Reorganisation as described in Note 1.2, the Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

2.2.2 *Separate financial statements*

(a) *Subsidiary from Reorganisation*

Investments in subsidiaries from Reorganisation are stated at the aggregate net book value of the net assets of the subsidiaries.

(b) *Subsidiaries other than from Reorganisation*

Investments in subsidiaries acquired other than from Reorganisation described in (a) above, are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2.3 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, the Group estimates 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.

2.4 Financial assets

(a) *Classification*

The Group classifies its financial assets in 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.

The Group did not hold financial assets which were classified as "financial assets at fair value through profit or loss", "held-to-maturity investments" or "available-for-sale investments" during the Relevant Periods.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (ii) those that the entity upon initial recognition designates as available-for-sale; or (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

The Group's loans and receivables mainly comprise "loans to customers", "amount due from a related party" and "cash at bank and on hand" in the consolidated statements of financial position. Loans and receivables are classified as current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(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 on loans 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 the Group has transferred substantially all risks and rewards of ownership. Substantial modifications to the contractual terms of a renewed loan would result in derecognition of the original loan and the recognition of a new loan on the revised terms.

2.5 Impairment of financial assets

The Group assesses 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 (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 the Group uses 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.

The Group first assesses 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 the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes 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 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 the Group's 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 by being 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). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group 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.

2.6 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.

The Group only assumed financial liabilities classified as "other financial liabilities" during the Relevant Periods.

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the other financial liabilities using the effective interest method.

The Group's other financial liabilities mainly comprise "bank borrowings" and "amount due to related parties" in the consolidated statements of financial position. Other financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.8 Repossessed assets

Repossessed collateral assets are accounted for as "non-current assets held for sale" and reported under "other assets" upon derecognition of relevant loans. The repossessed collateral assets are measured at lower of carrying amount and fair value less costs to sell.

2.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Company's Board of Directors as its chief operating decision maker.

2.10 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to amounts due to related parties and cash and cash equivalents are presented in the consolidated statements of comprehensive income within "interest expense" and "interest income". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains, net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to other comprehensive income. When a foreign operation is disposed of, or partially disposed of, such exchange differences that were recorded in equity are recognised in the consolidated statements of comprehensive income as part of the gain or loss on sale.

2.11 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	5 years
Vehicles	5 years
Furniture and equipment	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.14).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other gains, net" in the consolidated statements of comprehensive income.

2.12 Intangible assets

Intangible assets comprise of computer software. Computer Software is initially recognised at cost. The cost less estimated residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 2.14.

2.13 Investment properties

Investment properties, comprising commercial buildings, are held for long-term rental yields and/or for capital appreciation and are not occupied by the Group.

Investment properties are initially recognised at cost, including any directly attributable expenditure, and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 20 years. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the profit or loss when the changes arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the period in which the item is derecognised.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

2.14 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 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.

2.16 Employee benefits

(a) *Pension obligations*

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made.

Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves the Group.

(b) *Other social security obligations*

The PRC employees of the Group are entitled to participate in various government-sponsored social security funds, including medical, housing and other welfare benefits. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries and the contributions are recognised in the consolidated statements of comprehensive income for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contributions payable in the reporting period.

2.17 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

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

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk primarily includes interest rate risk.

3.1.1 *Credit risk*

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans to customers in the Group's asset portfolio.

(a) *Credit risk mitigation policies*

The Group employs a range of policies and practices to mitigate credit risk. For pawnshop services, the most traditional of these is the taking of specific classes of collateral from customers. The principal collateral types for loans to customers are:

- Real estate, including residential and commercial properties;
- Equity instruments, mainly equity interest in unlisted companies which are typically related to the borrowers; and
- Personal properties, including but not limited to inventory, precious metal and jewellery.

All pawn loans granted are backed by collateral as security. The Group also focuses on ascertaining legal ownership and the valuation of the real estate collaterals. A loan granted is based on the value of the collaterals and generally approximates 60%–70% of the estimated value of the real estate collaterals. The Group monitors the value of the real estate collaterals throughout the loan period.

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

(b) *Impairment and provisioning policies*

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

The impairment provision shown in the consolidated statements of financial position at year end is derived from each of the three loan categories by collateral type. The majority of the impairment provision arises from equity interest backed pawn loans. The table below shows the Group's gross amount of loans to customers and the associated impairment allowances for each of the three loan categories by collateral type:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Loans to customers, gross				
— Real estate backed pawn loans	182,641	390,457	438,740	484,921
— Equity interest backed pawn loans	357,439	249,873	245,435	247,519
— Personal property backed pawn loans	11,879	14,156	11,738	14,370
	551,959	654,486	695,913	746,810
Less: Impairment allowances				
— Real estate backed pawn loans	—	—	—	—
— Equity interest backed pawn loans	(5,787)	(4,324)	(6,507)	(4,490)
— Personal property backed pawn loans	—	—	—	—
	(5,787)	(4,324)	(6,507)	(4,490)
	546,172	650,162	689,406	742,320

Management determines whether objective evidence of impairment exists, based on the criteria set out by the Group in Note 2.5.

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

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

The Group accepted real estate at fair value of approximately RMB509,075 thousand, RMB789,383 thousand, RMB946,340 thousand and RMB949,983 thousand as collateral for security as at 31 December 2010, 2011 and 2012, and 30 June 2013, respectively. Personal property backed pawn loans have less credit exposure as the Group physically takes possession or entrust an independent third-party to take possession of the collateral till loan repayment. During the Relevant Periods, there has been no incurred credit loss on the loans secured by real estate collateral and personal property collateral after considering the amount recovered through repossessed assets. Consequently no collectively assessed impairment allowances were provided for loans secured by these two collateral types.

Please refer to Note 20 for individually assessed and collectively assessed impairment allowances arising from equity interest backed pawn loans.

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

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Credit risk exposures relating to assets are as follows:				
Deposit with banks	6,315	60,218	157,745	216,185
Loans to customers	546,172	650,162	689,406	742,320
Other receivables	159	1,784	1,245	2,453
	552,646	712,164	848,396	960,958

The above table represents a worse case scenario of credit risk exposure to the Group at 31 December 2010, 2011 and 2012, and 30 June 2013, without taking into account of any collateral held for or other credit enhancements attached. The exposures set out above for assets are based on net carrying amounts as reported in the consolidated statements of financial position.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loan portfolio. The Group's bank balances are mainly deposited with major commercial banks in the PRC, which management believes are of high credit quality. The Group considers the risk associated with the bank balances held at major commercial banks is insignificant.

(d) *Loans to customers*

Loans to customers are summarised as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	366,730	626,635	653,072	709,840
Past due but not impaired	183,787	26,525	38,884	36,454
Individually impaired	1,442	1,326	3,957	516
Gross	551,959	654,486	695,913	746,810
Less: Impairment allowances *(Note 20(a))*	(5,787)	(4,324)	(6,507)	(4,490)
Net	546,172	650,162	689,406	742,320

(i) Loans to customers neither past due nor impaired

Loans to customers that are neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Personal property backed pawn loans are included in this category as their repayments can be effected by disposal of forfeited personal property collateral, which carries higher values than the carrying amount of the loan.

(ii) Loans to customers past due but not impaired

Loans that are past due but not impaired relate to the customers which have good borrowing records with the Group. The directors believe that no impairment allowance is necessary in respect of these balances either because the loans are fully secured by real estate collateral with a reasonably ascertainable market value, or in the case of equity interest backed pawn loans, there has not been a significant change in the customers' credit quality and the balances are considered fully recoverable. Gross amount of loans to customers that were past due but not impaired are analysed by aging as follows:

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

The Group accepted real estate collateral at fair value of approximately RMB436,060 thousand, RMB21,878 thousand, RMB67,300 thousand and RMB67,443 thousand for real estate backed pawn loans that were past due but not impaired as at 31 December 2010, 2011 and 2012, and 30 June 2013, respectively.

Upon initial recognition of loans to customers, the fair value of real estate collateral is based on valuation techniques commonly used for the corresponding assets. The fair value is not updated by reference to market price of similar assets in subsequent periods, as maturity dates of loans to customers are all within six months, which is considered a relatively short period.

(iii) Loans to customers individually impaired

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Gross individually impaired loans	1,442	1,326	3,957	516
As a percentage of total gross loans	0.26%	0.20%	0.57%	0.07%
Impairment allowance made in respective of such loans	1,442	1,326	3,957	516

Individually impaired loans related to equity interest backed pawn loans for the Relevant Periods.

(e) *Concentration of risks of financial assets with credit risk exposure*

The Group maintains a reasonably diversified client base. Loans receivable from the top five customers accounted for 41%, 30%, 45% and 45% of the total loans to customers as at 31 December 2010, 2011 and 2012, and 30 June 2013, respectively. Interest income from the top five customers accounted for 34%, 30%, 28% and 45% of total interest income for the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2013, respectively.

3.1.2 *Market risk*

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. The Group's exposure to market risk is primarily attributable interest rate risk arising from loans to customers, bank balances and bank borrowings. The Group has established policies and procedures for monitoring and managing market risk.

(a) *Interest rate risk*

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

The most significant interest-bearing assets and liabilities are loans to customers and bank borrowings, which both bear fixed interest rates to generate cash flows independent from market interest rates. Contractual interest rate re-pricing is matched with maturity date of each pawn loan granted to customer, or maturity date of bank borrowings. As at respective balance sheet dates, maturity dates of loans to customers are all within six months, whilst maturity dates of bank borrowings are within 12 months.

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

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

Based on the simulations performed and with other variables held constant, should the benchmark interest rate had been 100 basis points higher/lower, the profit before income tax of the Relevant Periods would have been decreased/increased by approximately RMB2,162 thousand, RMB2,134 thousand, and RMB1,846 thousand, for the years ended 2010, 2011 and 2012, and RMB2,110 thousand for the six months ended 30 June 2013, respectively, mainly as a result of higher/lower interest expense on fixed-rate bank borrowings arising from interest rate repricing.

Interest rates on interest-bearing financial assets, primarily loans to customers, are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

(b) *Foreign exchange risk*

The Group operates principally in the PRC. The majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

During the Relevant Periods and as of the respective balance sheet dates presented, other than amounts due to certain related parties demonstrated in US dollar totalling RMB4,568 thousand, RMB16,368 thousand and RMB16,090 thousand as at 31 December 2011 and 2012, 30 June 2013, respectively (Note 29(c)), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should US dollar had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB6 thousand, RMB157 thousand and RMB153 thousand higher/lower for the years ended 2011 and 2012, and the six months ended 30 June 2013 respectively, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated related party balances.

3.1.3 *Liquidity risk*

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

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

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

	Repayable on demand or within 1 month	1–3 months	3–6 months	6–12 months	Over 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010						
Bank borrowings	60,581	—	61,526	42,270	—	164,377
Amounts due to a related parties	—	111,657	—	—	—	111,657
Other financial liabilities	155	—	—	—	—	155
Total financial liabilities	60,736	111,657	61,526	42,270	—	276,189
As at 31 December 2011						
Bank borrowings	140,989	—	71,769	150,561	—	363,319
Amount due to a related parties	4,568	—	—	—	—	4,568
Other financial liabilities	544	—	—	—	—	544
Total financial liabilities	146,101	—	71,769	150,561	—	368,431
As at 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 at 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

Sources of liquidity are regularly reviewed by the Finance Department to ensure the availability of sufficient liquid funds to meet all obligations.

3.2 Fair value of financial assets and liabilities

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

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain a strong capital base to support the development of its business, and to support the Group's stability and growth. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The liquid capital is monitored regularly by the Finance Department. The capital of the Group mainly comprises its total equity.

The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt comprises bank borrowings and the borrowings from Wuzhong Jiaye. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus total debt.

Prior to 30 June 2012 during the Relevant Periods, the Group's strategy was to maintain the gearing ratio below 50%. The Group significantly reduced gearing ratio thereafter to meet the compliance requirements on aggregate amount of loans to customers. The gearing ratio as at 31 December 2010, 2011 and 2012, and 30 June 2013 were as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings *(Note 25)*	160,289	350,506	220,501	270,575
Borrowings from Wuzhong Jiaye *(Note 29(c))*	111,184	—	—	—
Total debt	271,473	350,506	220,501	270,575
Total equity	287,471	353,543	602,840	666,817
Total capital	558,944	704,049	823,341	937,392
Gearing ratio	**49%**	**50%**	**27%**	**29%**

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

(a) Impairment allowances on loans to customers

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

(b) Income taxes

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

(c) Contractual Agreements

Under the relevant rules and regulations prevailing in the PRC, wholly foreign-owned enterprises are not allowed to operate pawn-loan business in China. The current registered equity holders of Wuzhong Pawnshop are Wuzhong Jiaye and Hengyue Consulting. As described in Note 1.2(5) and (6) and Note 2.2.1(a) above, the Group's wholly owned subsidiary Suzhou Tongda entered into a series of Contractual Agreements with Wuzhong Pawnshop, 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 Suzhou Tongda to exercise their shareholders' rights under the articles of association of the Wuzhong Pawnshop and applicable PRC laws and regulations; (ii) an exclusive management and consultation service agreement pursuant to which Wuzhong Pawnshop engaged Suzhou Tongda on an exclusive basis to provide consultation and other ancillary services, and in return Wuzhong Pawnshop agreed to pay Suzhou Tongda the consultancy service fee; (iii) exclusive call option agreement pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Suzhou Tongda an option to acquire the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the Wuzhong Pawnshop and/or all assets of the Wuzhong Pawnshop at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations; and (iv) equity pledge agreement pursuant to which the Ultimate Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Suzhou 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 the Group does not hold direct equity interest in Wuzhong Pawnshop, management considers that the Group has power over the financial and operating policies of Wuzhong Pawnshop and receive a majority of the economic benefits from its business activities. Accordingly, Wuzhong Pawnshop has been treated as an indirect subsidiary of the Company during the Relevant Periods.

5 SEGMENT INFORMATION

Following the management approach of HKFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group's Board of Director (the chief operating decision-maker) which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group's operation is all located in the PRC under one legal entity. The principal business activity is to grant pawn loans secured by collateral to customers, mainly small and medium sized enterprises and individuals in the Greater Suzhou Area. The Group managed its business under one operating and reportable segment in accordance with the definition of a reportable segment under HKFRS 8 for the Relevant Periods.

6 INTEREST INCOME

The Group

	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 to customers					
Real estate backed pawn loans	27,038	61,908	122,551	71,595	71,823
Equity interest backed pawn loans	34,690	68,384	77,093	44,577	41,480
Personal property backed pawn loans	4,779	5,351	7,182	3,780	4,471
Interest income from bank deposits	33	91	1,634	156	1,789
Interest income from a related party *(Note 29(b))*	12	494	—	—	—
	66,552	136,228	208,460	120,108	119,563

Interest income from loans to customers represents all fees received from customers that are an integral part of the effective interest rate, including interest income, administration fee income and other service fee income.

7 INTEREST EXPENSE

The Group

	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	15,544	22,050	13,586	8,586
Interest expense to a related party *(Note 29(b))*	3,167	616	—	—	—
	9,450	16,160	22,050	13,586	8,586

8 OTHER OPERATING INCOME, NET

The Group

	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
Net gains from disposal of repossessed assets	1,050	1,462	267	90	115
Net gains from disposal of investment properties	—	—	529	—	—
	1,050	1,462	796	90	115

9 ADMINISTRATIVE EXPENSES

The Group

	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
Business tax and surcharges	3,673	7,572	15,287	9,992	7,027
Employee benefit expenses *(Note 10)*	4,557	7,132	12,270	5,568	6,188
Value-added tax and surcharges	—	—	960	—	3,674
Professional and consultancy fees	630	7,410	15,581	12,126	2,974
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
Auditors' remuneration	46	595	699	160	720
Telephone, utilities and office expenses	1,849	2,617	1,263	714	380
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

Included in administrative expenses were certain legal and other professional fees of RMB6,539 thousand and RMB15,292 thousand for the years ended 31 December 2011 and 2012, and RMB3,485 thousand for the six months ended 30 June 2013, respectively, which were incurred and expensed during the Reorganisation and listing process of the Company.

10 EMPLOYEE BENEFIT EXPENSE

The Group

	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
Wages and salaries	2,464	4,235	7,036	3,617	3,728
Discretionary bonuses	1,388	1,784	3,127	1,000	1,230
Pension	295	419	907	422	535
Other social security obligations	410	694	1,200	529	695
	4,557	7,132	12,270	5,568	6,188

11 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The remuneration of each executive director of the Company paid/payable by the Group for the years ended 31 December 2010, 2011 and 2012, and for the six months ended 30 June 2013, are set out below:

	Basic salaries	Discretionary bonuses	Pension	Other social security obligations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011					
Executive directors:					
CHEN Yan'nan (陳雁南)	263	—	—	—	263
WU Min (吳敏)	350	—	7	15	372
	613	—	7	15	635
Year ended 31 December 2012					
Executive directors:					
CHEN Yan'nan (陳雁南)	350	105	—	—	455
WU Min (吳敏)	350	105	30	39	524
MAO Zhu'chun (毛竹春)	252	79	23	29	383
	952	289	53	68	1,362
Six months ended 30 June 2012 (Unaudited)					
Executive directors:					
CHEN Yan'nan (陳雁南)	175	34	—	—	209
WU Min (吳敏)	175	34	15	18	242
MAO Zhu'chun (毛竹春)	84	25	8	10	127
	434	93	23	28	578
Six months ended 30 June 2013					
Executive directors:					
CHEN Yan'nan (陳雁南)	175	58	—	—	233
WU Min (吳敏)	175	58	16	17	266
MAO Zhu'chun (毛竹春)	168	43	16	17	244
	518	159	32	34	743

In April 2012, MAO Zhu'chun (毛竹春) joined the Company as Chief Financial Officer (CFO) and was appointed as executive director. His remuneration has been paid by the Group since 1 April 2012.

The above executive directors did not receive any remuneration for the year ended 31 December 2010. No non-executive directors or independent directors received any remuneration from the Group for the Relevant Periods.

During the Relevant Periods, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office, and no director waived or has agreed to waive any emoluments.

(a) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group included the two executive directors for the year ended 31 December 2011, and the three executive directors for the year ended 31 December 2012, and the six months ended 30 June 2013 (Nil for the year ended 31 December 2010), whose emoluments are reflected in the analysis presented above. The emoluments payable to the five highest individuals for the periods ended 31 December 2011 and 2012, and 30 June 2013 have deducted those executive directors' emoluments, and the remaining individuals' emoluments for the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2013 are as follows:

	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
Basic salaries	360	352	292	142	150
Discretionary bonuses	410	268	200	64	110
Pension	36	26	50	25	28
Other social security obligations	62	50	64	31	30
	868	696	606	262	318

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Emoluments band					
Nil – HK$1,000,000	5	3	2	2	2

For each of the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2013, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or compensation for loss of office.

12 INCOME TAX EXPENSE

The Group

	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
Current income tax	10,563	23,553	35,873	20,125	22,312
Deferred income tax	(708)	(58)	(168)	238	(266)
	9,855	23,495	35,705	20,363	22,046

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

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	38,882	89,504	131,746	73,232	86,023
Tax calculated at statutory tax rates	9,721	22,376	35,565	20,288	22,000
Tax effect of:					
— Expenses not deductible for tax purposes	134	1,119	140	75	46
Tax charge	9,855	23,495	35,705	20,363	22,046

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in the British Virgin Islands are not subject to any income tax according to relevant rules and regulations.

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% for the Relevant Periods.

According to the Corporate Income Tax Law of the PRC (the "CIT Law"), the income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing legislations, interpretations and practices.

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. During the Relevant Periods, no dividend was declared to foreign investors.

13 EARNINGS PER SHARE

Basic earnings per share for each of the periods ended 31 December 2010, 2011 and 2012, and 30 June 2012 and 2013, are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. In determining the weighted average number of ordinary shares in issue during the Relevant Periods, the 7,800,000 shares of the Company issued and allotted in connection with the Reorganisation had been treated as if those shares were in issue since 1 January 2010.

	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
Profit attributable to equity holders of the Company (RMB'000)	29,027	66,009	96,041	52,869	63,977
Weighted average number of ordinary shares in issue (in thousands)	7,800	7,800	7,800	7,800	7,800
Basic earnings per share (RMB)	3.72	8.46	12.31	6.78	8.20

As there were no dilutive options and other dilutive potential shares in issue during the Relevant Periods, diluted earnings per share is the same as basic earnings per share.

The basic earnings per share and diluted earnings per share as presented in the consolidated statements of comprehensive income have not taken into account the proposed capitalisation issue as described in Note 30(a).

14 DIVIDEND

No dividend has been paid or declared by the Company since its incorporation. No dividends have been paid or declared by any of the companies comprising the Group for the Relevant Periods.

15 INVESTMENT PROPERTIES

The Group

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At beginning of year/period	—	—	9,522	—
Transfers from repossessed assets	—	9,522	—	—
Disposal	—	—	(9,522)	—
At end of year/period	—	9,522	—	—
Accumulated depreciation				
At beginning of year/period	—	—	(415)	—
Depreciation charge	—	(415)	(263)	—
Disposal	—	—	678	—
At end of year/period	—	(415)	—	—
Carrying value				
At end of year/period	—	9,107	—	—

The investment properties of the Group were all located in Suzhou City, the PRC. Depreciation of the investment properties has been charged to the consolidated statements of comprehensive income within "administrative expenses".

Fair value of the Group's investment properties at 31 December 2011 was RMB9,770 thousand.

The Group disposed the investment properties with a net proceeds of RMB9,373 thousand in July 2012.

16 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Furniture & equipment	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2010	1,298	712	—	2,010
Additions	1,085	225	172	1,482
At 31 December 2010	2,383	937	172	3,492
Additions	2,719	493	—	3,212
At 31 December 2011	5,102	1,430	172	6,704
Additions	1,300	703	—	2,003
At 31 December 2012	6,402	2,133	172	8,707
Additions	80	24	—	104
At 30 June 2013	6,482	2,157	172	8,811
Accumulated depreciation				
At 1 January 2010	(409)	(219)	—	(628)
Charge for the year	(867)	(127)	(34)	(1,028)
At 31 December 2010	(1,276)	(346)	(34)	(1,656)
Charge for the year	(1,372)	(212)	(52)	(1,636)
At 31 December 2011	(2,648)	(558)	(86)	(3,292)
Charge for the year	(1,119)	(343)	(46)	(1,508)
At 31 December 2012	(3,767)	(901)	(132)	(4,800)
Charge for the period	(487)	(227)	(20)	(734)
At 30 June 2013	(4,254)	(1,128)	(152)	(5,534)
Net book amount				
At 31 December 2010	1,107	591	138	1,836
At 31 December 2011	2,454	872	86	3,412
At 31 December 2012	2,635	1,232	40	3,907
At 30 June 2013	2,228	1,029	20	3,277

Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income within "administrative expenses".

17 INTANGIBLE ASSETS — COMPUTER SOFTWARE

The Group

	Year ended 31 December 2012	Six months ended 30 June 2013
	RMB'000	RMB'000
Cost		
At beginning of year/period	—	360
Additions	360	—
At end of year/period	360	360
Accumulated amortisation		
At beginning of year/period	—	(3)
Charge for the year/period	(3)	(18)
At end of year/period	(3)	(21)
Carrying value		
At end of year/period	357	339

Amortisation of intangible asset has been charged to the consolidated statements of comprehensive income within "administrative expenses".

18 DEFERRED INCOME TAX ASSETS

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
— to be recovered within 12 months	1,687	1,745	1,913	2,179

Movement in deferred income tax assets during the Relevant Periods, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred income tax assets	Impairment charge on loans to customers
	RMB'000
At 1 January 2010	979
Credited to the consolidated statements of comprehensive income	708
At 31 December 2010	1,687
Credited to the consolidated statements of comprehensive income	58
At 31 December 2011	1,745
Credited to the consolidated statements of comprehensive income	168
At 31 December 2012	1,913
At 1 January 2013	1,913
Credited to the consolidated statements of comprehensive income	266
At 30 June 2013	2,179

19 OTHER ASSETS

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Repossessed assets				
— Personal properties	895	—	1,342	36
— Real estate	9,522	—	—	—
Other receivables	159	1,784	1,245	2,453
Deferred and prepaid initial public offering expenses	—	3,225	9,732	11,018
	10,576	5,009	12,319	13,507

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred and prepaid initial public offering expenses	—	2,840	9,732	11,018

20 LOANS TO CUSTOMERS

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Pawn loans to customers, gross				
Real estate backed pawn loans	182,641	390,457	438,740	484,921
Equity interest backed pawn loans	357,439	249,873	245,435	247,519
Personal property backed pawn loans	11,879	14,156	11,738	14,370
	551,959	654,486	695,913	746,810
Less: Impairment allowances				
— Individually assessed	(1,442)	(1,326)	(3,957)	(516)
— Collectively assessed	(4,345)	(2,998)	(2,550)	(3,974)
	(5,787)	(4,324)	(6,507)	(4,490)
Pawn loans to customers, net	546,172	650,162	689,406	742,320

The pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are within six months. The loans provided to customers bore fixed interest rates ranging from 6.00% to 33.60%, 15.20% to 38.40%, 18.00% to 38.40% per annum in the years ended 31 December 2010, 2011 and 2012, and 22.38% to 38.00% per annum in the six months ended 30 June 2013, respectively. Loans to customers are all denominated in RMB. The impairment allowances are all related to equity interest backed pawn loans (Note 3.1.1(b)).

As at 31 December 2011 and 2012, loans to customers of approximately RMB21,057 thousand and RMB24,190 thousand were renewed loans, all relating to real estate backed pawn loans. As at 30 June 2013, renewed loans amounted to RMB261,887 thousand, comprising real estate backed pawn loans of RMB260,304 thousand and an equity interest backed pawn loan of RMB1,583 thousand.

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

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

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	239,056	482,810	422,930	295,770
3–6 months	142,421	133,250	228,290	161,532
6–12 months	134,220	19,734	7,050	266,621
12–24 months	29,171	13,868	30,819	16,016
Over 24 months	1,304	500	317	2,381
	546,172	650,162	689,406	742,320

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

	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
Individually assessed —					
At beginning of year/period	840	1,442	1,326	1,326	3,957
Impairment losses recognised	1,562	799	3,158	1,588	192
Net write back of loan provision	—	—	(527)	(527)	(550)
Loans written off as un-collectible	(960)	(915)	—	—	(3,083)
At end of year/period	1,442	1,326	3,957	2,387	516
Collectively assessed —					
At beginning of year/period	3,076	4,345	2,998	2,998	2,550
Impairment losses recognised/(reversed)	1,269	(1,347)	(448)	(503)	1,424
At end of year/period	4,345	2,998	2,550	2,495	3,974

(c) *Net charge/(reversal) of impairment allowance on loans to customers*

	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
Net charge/(reversal) of impairment allowance					
Individually assessed	1,562	799	2,631	1,061	(358)
Collectively assessed	1,269	(1,347)	(448)	(503)	1,424
	2,831	(548)	2,183	558	1,066

21 CASH AT BANK AND ON HAND

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	2,146	1,221	1,336	1,531
Demand deposits with banks	6,315	60,218	57,745	166,185
Term deposits with banks with original maturities over 3 months	—	—	100,000	50,000
	8,461	61,439	159,081	217,716

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

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	8,461	61,376	58,851	167,498
US dollar	—	63	167	156
Hong Kong dollar	—	—	63	62
	8,461	61,439	59,081	167,716

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	—	63	63	62

Cash on hand of the Company was denominated in US dollar as at 31 December 2011, and was mainly dominated in Hong Kong dollar as at 31 December 2012 and 30 June 2013.

22 SHARE CAPITAL

The Group and the Company

	Number of shares	Amount
Authorised:		
US$1 each upon incorporation on 11 November 2011, and at 31 December 2011 (a)	50,000	US$50,000
Cancellation (b)	(50,000)	(US$50,000)
HK$0.01 each created on 2 May 2012 (b)	10,000,000,000	HK$100,000,000
HK$0.01 each at 31 December 2012 and at 30 June 2013	10,000,000,000	HK$100,000,000
Issued and fully paid:		
US$1 each upon incorporation on 11 November 2011, and at 31 December 2011 (a)	10,000	US$10,000
Repurchase (b)	(10,000)	(US$10,000)
HK$0.01 each allotted and issued on 2 May 2012 (b)	7,800,000	HK$78,000
HK$0.01 each at 31 December 2012 and at 30 June 2013	7,800,000	HK$78,000

Notes:

(a) The Company was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability with an authorised share capital of US$50,000, divided into 50,000 shares of par value US$1 each. On the same date, an aggregate of 10,000 shares of US$1 each were allotted and issued by the Company to its shareholders as fully paid at par value for a total consideration of US$10,000 (equivalent to RMB63 thousand).

(b) On 2 May 2012, resolutions were passed by the shareholders of the Company to increase the authorised share capital by HK$100,000,000 by the creation of 10,000,000,000 Shares. An aggregate of 7,800,000 Shares were allotted and issued by the Company to the eight holding companies as fully paid at par value for a total consideration of HK$78,000 (equivalent to RMB63 thousand). At the same time the Company repurchased the 10,000 issued shares of par value of US$1 each at a price of US$1 per such issued share (total repurchase payment equivalent to RMB63 thousand). Following such repurchase, the Company cancelled the 50,000 authorised but unissued shares of a par value of US$1 each.

23 OTHER RESERVES

The Group

	Capital reserve (a)	Statutory reserves (b)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2010	121,000	844	121,844
Capital injection to Wuzhong Pawnshop by its then equity holders (a)	129,000	—	129,000
Appropriation to statutory reserves (b)	—	2,903	2,903
At 31 December 2010	250,000	3,747	253,747
At 1 January 2011	250,000	3,747	253,747
Appropriation to statutory reserves (b)	—	7,001	7,001
At 31 December 2011	250,000	10,748	260,748
At 1 January 2012	250,000	10,748	260,748
Capital injection to Wuzhong Pawnshop by its then shareholders (a)	153,256	—	153,256
Capital increase of Wuzhong Pawnshop by capitalisation of its retained earnings (a)	96,744	—	96,744
Appropriation to statutory reserves (b)	—	10,652	10,652
At 31 December 2012	500,000	21,400	521,400

There was no movement in "Other reserves" for the six months ended 30 June 2013;

(a) Capital reserves

Capital reserves in the consolidated financial statements represented primarily the paid-in capital of Wuzhong Pawnshop, a subsidiary of the Company.

As at 1 January 2009, the paid-in capital of Wuzhong Pawnshop was RMB45,000 thousand.

On 21 July 2009, a capital injection of RMB76,000 thousand was made in cash by Wuzhong Real Estate and Wuzhong Jiaye to Wuzhong Pawnshop.

On 27 July 2010, an additional capital injection of RMB129,000 thousand was made in cash by Wuzhong Real Estate and Wuzhong Jiaye to Wuzhong Pawnshop.

On 7 September 2012, an additional capital injection of RMB250,000 thousand was made by Wuzhong Jiaye and Hengyue Consulting to Wuzhong Pawnshop, of which RMB153,256 thousand was contributed in the form of cash and the remaining RMB96,744 thousand by capitalisation of the retained earnings of Wuzhong Pawnshop.

(b) Statutory reserves

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

For the years ended 31 December 2010, 2011 and 2012, RMB2,903 thousand, RMB7,001 thousand and RMB5,678 thousand were appropriated to the statutory surplus reserve funds from net profits of Wuzhong Pawnshop respectively.

For the year ended 31 December 2012, RMB4,974 thousand was appropriated to the statutory surplus reserve funds from net profit of Suzhou Tongda.

24 OTHER LIABILITIES

The Group

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued expenses	—	3,451	7,551	9,477
Tax and other tax payable	1,100	1,234	2,366	2,528
Accrued employee benefits	1,118	1,721	2,883	1,936
Other financial liabilities	155	544	1,276	794
	2,373	6,950	14,076	14,735

As at 31 December 2010, 2011 and 2012, and 30 June 2013, the Group's other financial liabilities were non-interest bearing. The fair value approximates their carrying amounts due to their short maturities.

As at 31 December 2011 and 2012, and 30 June 2013, the Group's accrued expenses represent accrued legal and other professional fees relating to the initial public offering of the Company.

The Company

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued expenses	—	2,286	7,476	9,402
Other financial liabilities	—	—	—	500
	—	2,286	7,476	9,902

25 BANK BORROWINGS

The Group

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bank borrowings — principal	160,000	350,000	220,000	270,000
Bank borrowings — interest payable	289	506	501	575
	160,289	350,506	220,501	270,575

Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 5.84% to 6.12%, 6.39% to 8.25%, 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 fair values of bank borrowings approximate their carrying amounts as the discounting impact is not significant.

All bank borrowings were guaranteed by Wuzhong Group Company Limited (江蘇吳中集團有限公司) ("Wuzhong Group") and CHEN Yan'nan (陳雁南). Such guarantee will be released by the respective banks upon the initial listing of the shares of the Company.

The Group's borrowings are denominated in RMB.

26 INTERESTS IN SUBSIDIARIES

The Company

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Unlisted investments, at cost	357,492	357,492	357,492

Unlisted investments in the subsidiaries obtained upon Reorganisation are stated at the aggregate net book value of the net assets of the subsidiaries.

27 CONTINGENCIES

As at 31 December 2010, 2011 and 2012, and 30 June 2013, the Group did not have any significant contingent liabilities.

28 COMMITMENTS

(a) Operating lease commitments

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

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

	As at 31 December			As at 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
No later than 1 year	1,736	1,741	2,761	2,775	2,785
Later than 1 year and no later than 5 years	4,314	4,392	5,005	6,309	4,012
Later than 5 years	385	262	100	150	50
	6,435	6,395	7,866	9,234	6,847

29 RELATED PARTY TRANSACTIONS

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

(a) During the Relevant Periods, the Company's directors were of the view that the following companies were related parties of the Group:

Names of related parties	Nature of relationship
Wuzhong Jiaye	Direct equity holder of Wuzhong Pawnshop
Wuzhong Group	Controlling shareholder of Wuzhong Jiaye before Reorganisation
Jiangsu Wuzhong Real Estate Group Co., Ltd. (江蘇吳中地產集團有限公司)("Wuzhong Real Estate")	A related party controlled by Wuzhong Group
Jiangsu Tianchi Automotive Industry Co., Ltd. (江蘇天池企業實業有限公司)("Jiangsu Tianchi")	A related party affiliated with Wuzhong Group
Wuzhong America Services for Cultural Education and Communication Ltd ("Wuzhong America")	A related party controlled by Wuzhong Group
BVI companies wholly owned by each of the Ultimate Shareholders ("BVI entities owned by the Ultimate Shareholders")	Related parties controlled by each of the Ultimate shareholders

(b) Significant transactions with related parties

The Group

The Group had the following significant transactions with related parties during the Relevant 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**
IPO costs paid by Wuzhong America on behalf of the Group	—	4,568	11,166	7,643	—
Office rental payable to Wuzhong Real Estate	—	—	228	115	118
Amount paid by Ultimate Shareholders on behalf of the Group for paid-in capital of Suzhou Huifang	—	—	634	634	—
Interest expense arising on borrowings from Wuzhong Jiaye	3,167	616	—	—	—
Interest income arising on deposits with Wuzhong Jiaye	12	494	—	—	—
Directors' and senior management emoluments paid by Wuzhong Jiaye on behalf of the Group	450	92	—	—	—
Amount received from Jiangsu Tianchi on behalf of Wuzhong Group	11,250	—	—	—	—
Amount paid to Wuzhong Group on behalf of Jiangsu Tianchi	11,250	—	—	—	—

The Company

	Year ended 31 December		Six months ended 30 June	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
IPO costs paid by Wuzhong America on behalf of the Company	4,568	11,166	7,643	—
Amount paid by Suzhou Huifang on behalf of the Company	—	469	287	—
Amount paid by Suzhou Tongda on behalf of the Company	—	487	487	485
Amount paid by BVI entities owned by the Ultimate Shareholders on behalf of the Company	—	634	634	—

Borrowings from Wuzhong Jiaye bore a variable interest rate based on the market rates of six-month bank loans. Deposits with Wuzhong Jiaye bore a variable interest rate based on the market rates of seven-day call deposit.

As disclosed in Note 25, all bank borrowings of the Group were guaranteed by Wuzhong Group and CHEN Yan'nan (陳雁南).

(c) Balances with related parties

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties				
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	—	—	—
Due to Wuzhong America	—	4,568	15,734	15,467
Due to BVI entities owned by the Ultimate Shareholders	—	—	634	623
Due to Wuzhong Real Estate	—	—	—	118
	111,824	4,568	16,368	16,208

The Company

	As at 31 December		As at 30 June
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts due to related parties			
Due to Wuzhong America	4,568	15,734	15,467
Due to BVI entities owned by the Ultimate Shareholders	—	634	623
Due to Suzhou Huifang	—	469	469
Due to Suzhou Tongda	—	487	973
	4,568	17,324	17,532
Amount due from a related party			
Due from Sifang Investment Limited	—	633	623

Amounts due to Wuzhong America and BVI entities owned by the Ultimate Shareholders were denominated in US dollar. Other balances with related parties were denominated in RMB. The carrying amounts approximate to their fair values as at each balance sheet date.

Borrowings from Wuzhong Jiaye and deposits placed with Wuzhong Jiaye were interest bearing. Other balances with related parties were interest-free.

(d) Key management compensation

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

	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
Basic salaries	152	949	1,460	672	788
Discretionary bonuses	135	244	673	215	370
Pension	12	37	123	57	77
Other social security obligations	20	63	155	69	82
	319	1,293	2,411	1,013	1,317

30 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed elsewhere in this report, the following significant subsequent events took place subsequent to 30 June 2013:

(a) Pursuant to the written resolutions passed by the shareholders of the Company on 6 October 2013, conditional on the Global Offering taking place and upon the share premium account of the Company being credited with an amount of not less than HK$6,422,000, 642,200,000 new Shares will be allotted and issued to holders of the Shares whose names appear on the register of members at the close of business on the date of the Prospectus in the same proportion as their then shareholdings in the Company and an amount of HK$6,422,000 standing to the credit of the share premium account of the Company will be applied to pay up in full at par for such Shares.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2013 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong