CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中 國 匯 融 金 融 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1290

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2014 INTERIM REPORT

匯融

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMMITTEE COMPOSITION

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

JOINT COMPANY SECRETARIES

Mr. He Jiong
Miss Leung Ching Ching

AUTHORISED REPRESENTATIVES

Mr. Wu Min
Miss Leung Ching Ching

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

101 Dongwu North Road, Suzhou
Jiangsu Province, PRC

PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKS

Jiangsu Bank, Suzhou Branch
Suzhou Bank, Suzhou Branch

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

Simpson Thacher & Bartlett
Haiwen & Partners

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

COMPANY'S WEBSITE

www.cnhuirong.com

STOCK CODE

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

Stock Code 01290

Financial Summary

	Six months ended 30 June		
	2014 RMB'000	2013 RMB'000	Change %
Operating Results			
Revenue	**188,200**	119,563	57.4%
Net revenue	**162,759**	111,092	46.5%
Profit attributable to equity holders	**76,938**	63,977	20.3%
Basic earnings per share (RMB)	**0.08**	0.10	–20.0%

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000	Change %
Financial Position			
Total assets	**2,281,554**	2,074,946	10.0%
Loans to customers	**1,515,371**	750,114	102.0%
Cash at bank and on hand	**742,474**	816,845	–9.1%
Net assets	**1,407,733**	1,330,339	5.8%

Management Discussion and Analysis

1. BUSINESS REVIEW AND DEVELOPMENT

Our principal activity is to provide our customers pawn loans secured by real estate, equity interest or personal property collateral. Besides, for the six-month ended 30 June 2014, we provided a new form of loan which is called entrusted loans.

An entrusted loan is a lending arrangement where we provide funds to an entrusted bank and request the bank to on-lend the funds to our designated customer according to our specific instructions as to the identity of the borrower, loan amount, term and interest rate, and assist in collecting the loan. Entrusted loan is only an intermediate business of the entrusted bank, which does not assume any credit risk of any form. The entrusted loans granted are typically unsecured. Prior to granting the entrusted loans to our designated customers, the Group evaluates the credit status of such customers, including the customers' business performance, financial information and repayment ability. The Group would also require an independent third party to act as the guarantor for the entrusted loan.

1.1 Pawn Loans

On 12 February, 2014, the approved registered capital of the PRC Operating Entity was increased to RMB1,000,000 thousand. As the approved registered capital of a pawn loan provider is directly related to the total capital available for granting loans pursuant to the Administrative Measures for Pawning issued by the relevant PRC authorities (the "Pawning Measures"), the aforementioned increase in the approved registered capital of the PRC Operating Entity has contributed to the growth of the Group's short-term financing service business, and the overall business has achieved a significant growth. The following table sets out the details of new loans and renewed loans secured by real estate and equity interest collateral we granted during the indicated periods:

	Six months ended 30 June Pawn loans	
	2014	2013
Total new loan amount granted (RMB in millions)	**1,559**	485
Total number of new loans granted	**120**	56
Total loan amount renewed (RMB in millions)	**207**	259
Total number of loans renewed	**7**	23
Average loan repayment period (days)	**97**	127

1.2 Entrusted loans

According to the Contractual Arrangements between the PRC Operating Entity and Huifang Tongda, Huifang Tongda charges the exclusive management and consultation service fees on the PRC Operating Entity. To improve its capital efficiency, Huifang Tongda provides entrusted loans business to its customers. The following table sets out the details of the entrusted loans we granted during the indicated periods:

	Six months ended 30 June Entrusted loans	
	2014	2013
Total new loan amount granted (RMB in millions)	**154**	—
Total number of new loans granted	**3**	—

2. FINANCIAL REVIEW

During the reporting period, the Company maintained continued growth in its net revenue and net profit. For the six months ended 30 June 2014, our net revenue was RMB162,759 thousand, an increase of 46.5% as compared to that of the same period in year 2013; profit attributable to equity holders was RMB76,938 thousand, an increase of 20.3% as compared to that of year 2013.

2.1 Interest income

For the six months ended 30 June 2014, our interest income increased by 57.4% from that of the same period in 2013 to RMB188,200 thousand. The following table sets forth the composition details for the indicated periods:

	Six months ended 30 June		
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)	increase %
Real estate backed pawn loans *(Note(i))*	**90,883**	71,823	26.5%
Equity interest backed pawn loans *(Note(i))*	**63,352**	41,480	52.7%
Personal property backed pawn loans *(Note(ii))*	**15,105**	4,471	237.8%
Entrusted loans	**7,856**	—	N/A
Interest income from bank deposits *(Note(iii))*	**11,004**	1,789	515.1%
	188,200	119,563	57.4%

Notes:

(i) The increase in the interest income from loans secured by real estate and equity interest mainly related to the gradual increase in loan size.

(ii) The substantial increase in the interest income from loans secured by personal property was primarily due to the significant expansion of the business scale of such short-term loans secured by production materials during the six months ended 30 June 2014.

(iii) Interest income from bank deposits grew significantly, mainly due to the substantial increase in bank deposits.

2.2 Interest Expense

Interest expense on bank borrowings for the six months ended 30 June 2014 increased by 196.3% from the corresponding period of last year to RMB25,442 thousand, primarily due to largely higher average amount of bank borrowings during the reporting period as compared with the same period of last year.

2.3 Administrative Expenses

For the six months ended 30 June 2014, our administrative expenses increased by 39.1% from that of the same period in 2013 to RMB33,906 thousand. The growth in administrative expenses was lower than that of the interest income.

The following table sets forth the composition details for the indicated periods:

	Six months ended 30 June		
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)	Increase %
Business tax and surcharges	**10,450**	7,027	48.7%
Employee benefit expenses(*)	**10,226**	6,188	65.3%
Value-added tax and surcharges	**4,880**	3,674	32.8%
Professional and consultancy fee	**2,855**	2,974	–4.0%
Transportation, meal and accommodation	**1,305**	781	67.1%
Operating lease payments	**1,184**	1,188	–0.3%
Depreciation and amortisation	**632**	752	–16.0%
Auditors' remuneration — Audit services	**500**	720	–30.6%
Telephone, utilities and office expenses	**494**	380	30.0%
Advertising costs	**10**	62	–83.9%
Other expenses	**1,370**	631	117.1%
	33,906	24,377	39.1%

* *The shareholders of the Company has approved and adopted a share option scheme on 26 May 2014 to enable the Company to grant share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Company granted 50,000,000 share options to eligible participants on 16 June 2014 under the share option scheme with an exercise price of HK$1.4 per share. The Group recognised RMB456 thousand as employee benefit expense for the six months ended 30 June 2014. Such expenses did not result in cash outflow from the Group, and hence were recognised as the Group's other reserves when recognising the employee benefit expenses.*

For further information of the share option scheme, please refer to the paragraph headed "Other information — Share Option Scheme" below.

2.4 Other Gains, net

For the six months ended 30 June 2014, our other gains was RMB5,618 thousand. The following table sets forth the composition details for the indicated periods:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Net foreign currency gains	**5,438**	274
Government grants	**180**	100
	5,618	374

The foreign exchange gains amounting to RMB5,438 thousand generated by fluctuation in exchange rates as at 30 June 2014 was mainly due to the deposit with banks denominated in US dollar and Hong Kong dollar.

2.5 Income Tax Expense

Income tax for the six months ended 30 June 2014 was RMB35,506 thousand, up by 61.1% over the corresponding period of last year. The income tax included the Group's recognized withholding tax amounting to RMB5,182 thousand (2013: nil). Pursuant to the CIT Law, the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China are subject to a 10% withholding tax when remitted abroad. Therefore, such expenses were withholding in nature and would not give rise to a present tax obligation of the Group before remitting the dividend abroad.

Excluding the effects of withholding tax, the effective tax rate during the reporting period was 27%, as compared to 25.6% in the corresponding period of last year.

2.6 Profit Attributable to Equity Holders

The profit attributable to equity holders for the six months ended 30 June 2014 was RMB76,938 thousand, representing an increase of 20.3% over that in the same period of 2013.

3. LOANS TO CUSTOMERS

The table below sets out the data of loans to customers as of the dates indicated:

	As of 30 June 2014 RMB'000 (Unaudited)	As of 31 December 2013 RMB'000 (Audited)
Pawn loans to customers, gross		
Real estate backed pawn loans	**884,268**	497,302
Equity interest backed pawn loans	**496,647**	250,509
Personal property backed pawn loans	**7,000**	6,580
Entrusted loans	**153,760**	—
	1,541,675	754,391
Less: Impairment allowances		
— Individually assessed	**(15,979)**	(74)
— Collectively assessed	**(10,325)**	(4,203)
	(26,304)	(4,277)
Pawn loans to customers, net		
Real estate backed pawn loans	**884,268**	497,302
Equity interest backed pawn loans	**472,803**	246,232
Personal property backed pawn loans	**7,000**	6,580
Entrusted loans	**151,300**	—
	1,515,371	750,114

3.1 Loan Portfolio

The table below sets out the details of outstanding loans we granted as of the dates indicated:

	As of 30 June 2014 (Unaudited)	As of 31 December 2013 (Audited)	Increase %
Gross loans to customers, inclusive of principal and interest (RMB'000)			
Loans secured by real estate collateral	**884,268**	497,302	77.8%
Loans secured by equity interest collateral	**496,647**	250,509	98.3%
Loans secured by personal property collateral	**7,000**	6,580	6.4%
Entrusted loans	**153,760**	—	N/A
Total	**1,541,675**	754,391	104.4%
Number of loans outstanding			
Loans secured by real estate collateral	**71**	52	
Loans secured by equity interest collateral	**44**	21	
Loans secured by personal property collateral	**697**	806	
Entrusted loans	**3**	—	
Total	**815**	879	
Average Loan Amount (RMB'000)			
Loans secured by real estate collateral	**12,455**	9,564	
Loans secured by equity interest collateral	**11,287**	11,929	
Loans secured by personal property collateral	**10**	8	
Entrusted loans	**51,253**	—	

(i) The growth in loans secured by real estate collateral and loans secured by equity interest collateral was due to a higher maximum pawn loan that may be lent by the Group upon completion of the capital contributions to increase the approved registered capital of the PRC Operating Entity.

(ii) The opening of entrusted loans business was because: according to the Contractual Arrangements between the PRC Operating Entity and Huifang Tongda, Huifang Tongda charges the exclusive management and consultation service fees on the PRC Operating Entity. To improve its capital efficiency, Huifang Tongda provides entrusted loans business to its customers. The entrusted loans we granted were advanced through banks and guaranteed by the independent third party guarantor.

3.2 Loan Classification

The table below sets out the details of the classification of outstanding loans we granted as of the dates indicated (before provision):

	As of 30 June 2014 RMB'000 (Unaudited)	As of 30 June 2014 Percentage	As of 31 December 2013 RMB'000 (Audited)	As of 31 December 2013 Percentage
Neither past due nor impaired *(Note(i))*	**1,258,758**	**81.65%**	682,537	90.48%
Past due but not impaired *(Note(ii))*	**266,938**	**17.31%**	71,780	9.51%
Individually impaired *(Note(iii))*	**15,979**	**1.04%**	74	0.01%
Gross	**1,541,675**		754,391	

Notes:

(i) Loans to customers neither past due nor impaired

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

(ii) Loans to customers past due but not impaired

Loans that are past due but not impaired relate to customers that 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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Real estate backed pawn loans, gross		
Past due up to 1 month	**110,488**	27,520
Past due 1–3 months	**30,682**	4,840
Past due 4–6 months	**43,998**	7,154
Past due over 6 months	**69,307**	30,716
	254,475	70,230
Equity interest backed pawn loans, gross		
Past due up to 1 month	**11,732**	1,550
Past due 1–3 months	**—**	—
Past due 4–6 months	**731**	—
Past due over 6 months	**—**	—
	12,463	1,550
Past due but not impaired	**266,938**	71,780

Among the loans to customers that were past due but not impaired as at 31 December 2013, 6 real estate backed pawn loans amounting to RMB22,493 thousand were under legal proceedings. During the six months ended 30 June 2014, we have collected 1 loan of RMB1,524 thousand and added 1 loan of RMB872 thousand. As at 30 June 2014, a total of 6 real estate backed pawn loan amounting to RMB21,841 thousand were under legal proceedings. No loss is expected to be incurred on such loans since all related collaterals are sufficient to cover the principals and interests.

(iii) Loans to customers individually impaired

All loans to customers individually impaired as at 30 June 2014 were those secured by equity interest collateral. Full impairment provision has been made against the loans to customers individually impaired.

3.3 Impairment Allowances

Apart from full impairment allowances made against loans to customers individually impaired based on individual assessment, we have also provided impairment allowance for all other outstanding loans secured by equity interest collateral based on collective assessment. Details of the impairment allowances are as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Individually assessed		
At beginning of period	**74**	3,957
Impairment losses recognised (*)	**15,905**	191
Net write back of loan provision	**—**	(990)
Loans written off as un-collectible	**—**	(3,084)
At end of period	**15,979**	74
Collectively assessed		
At beginning of period	**4,203**	2,550
Impairment losses recognized (**)	**6,122**	1,653
At end of period	**10,325**	4,203

* *Impairment allowances individually assessed of RMB15,905 thousand were due to the deterioration in operating performance of certain customers.*

** *Impairment allowances collectively assessed of RMB6,122 thousand were primarily due to the increase in balances of loans granted to customers upon expansion of the Group's business after the increase in the registered capital of the PRC Operating Entity.*

4. CREDIT RISK MANAGEMENT

According to our internal policy, the principal amount of a loan we grant to a loan applicant is negotiated with the applicant on a case by case basis, provided that the appraised loan-to-value ratio of the loan is capped at 70% for real estate collateral and 50% for equity interest collateral. The following table sets forth a breakdown by collateral type of (i) the aggregate loan amount; (ii) the appraised value of collateral at time of loan approval; and (iii) the weighted average appraised loan-to-value ratio as of the granting dates of loans outstanding as of the indicated dates:

	As of 30 June 2014 (Unaudited)	As of 31 December 2013 (Audited)
Aggregate loan amount (RMB in millions)		
Real estate collateral	**884.3**	497.3
Equity interest collateral	**496.6**	250.5
Appraised value of collateral at time of loan approval (RMB in millions)		
Real estate collateral	**1,561.3**	933.8
Equity interest collateral	**1,807.1**	1,022.8
Range of appraised loan-to-value ratios		
Loans secured by real estate collateral	**24%–70%**	24%–70%
Loans secured by equity interest collateral	**3%–50%**	5%–50%
Weighted average appraised loan-to-value ratio		
Real estate collateral	**54%**	55%
Equity interest collateral	**27%**	30%

5. MARKET RISKS

5.1 Foreign exchange risk

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

As at 30 June 2014, other than deposit with banks denominated in US dollar and Hong Kong dollar totaling RMB593,353 thousand (31 December 2013: RMB596,289 thousand), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should US dollar have weakened/strengthened by 1% against RMB, with all other variables held constant, the profit before income tax would have been RMB5,927 thousand lower/higher for the six months ended 30 June 2014 (2013: higher/lower RMB153 thousand), mainly as a result of foreign exchange losses/gains on translation of US dollar and Hong Kong dollar denominated balances.

5.2 Interest rate risk

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.

Based on the simulations performed and with other variables held constant, should the benchmark interest rate been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB3,914 thousand for the six months ended 30 June 2014 (2013: decreased/increased by approximately RMB2,110 thousand), mainly as a result of higher/lower interest expense on fixed-rate bank borrowings arising from interest rate repricing.

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

6. TOTAL EQUITY AND CAPITAL MANAGEMENT

6.1 Total Equity

The total equity as at 30 June 2014 was RMB1,407,733 thousand, representing an increase of RMB77,394 thousand or 5.8% as compared with that as at 31 December 2013. The increase was due to: (i) the profit attributable to equity holders amounting to RMB76,938 thousand for the six months ended 30 June 2014, and (ii) the Group recognised the total employee benefit expenses amounting to RMB456 thousand for the share option scheme as the Group's other reserves since such expenses did not result in cash outflow from the Group.

6.2 Gearing ratio management

We monitor capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents bank borrowings less cash and cash equivalents. Total equity represents total equity as stated in the consolidated statement of financial position. Total capital is the sum of net debt and total equity.

Our gearing ratio as at 30 June 2014 was 34%, as compared to 22% as at 31 December 2013.

7. BANK BORROWINGS AND PLEDGE OF ASSETS

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bank borrowings-principal	**835,000**	717,000
Bank borrowings-interest payable	**1,510**	1,113
	836,510	718,113

(i) As at 30 June 2014, the principal of bank borrowings was RMB835,000 thousand, including borrowings of the PRC Operating Entity amounting to RMB300,000 thousand. (As at 31 December 2013, the principal of bank borrowings was RMB717,000 thousand, including borrowings of the PRC Operating Entity amounting to RMB230,000 thousand.) The remaining was borrowings of Huifang Technology and Huifang Tongda as the source of funds for the capital increase of RMB500,000 thousand for the PRC Operating Entity by Huifang Tongda. As disclosed in the Prospectus of the Company dated 16 October 2013, the Pawning Measures do not explicitly permit foreign-invested companies to operate a pawn loan business in China. Rules and regulations governing investments by foreign invested companies in the pawn business in the PRC will be separately issued by the Ministry of Commerce of the PRC ("MOFCOM") and other relevant authorities. Since no relevant rules and regulations are issued by MOFCOM or Department of Commerce ("DOC") Jiangsu so far, we are unable to exchange the proceeds from the Listing to RMB to directly finance the capital increase of the PRC Operating Entity. Instead, we held foreign exchange for pledge or enhancing our creditworthiness, and entered into facility arrangements with various domestic banks through Huifang Technology and Huifang Tongda to finance the capital increase of the PRC Operating Entity.

(ii) Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 5.70% to 7.80% per annum in the six months ended 30 June 2014 (2013: 6.72% to 7.80%).

As at 30 June 2014, bank borrowings with principal amount of RMB275million are secured by the restricted term deposits of US$51,000,000 (equivalent to RMB314 million) (31 December 2013: bank borrowings with principal amount of RMB227 million are secured by the restricted term deposits of US$41,999,985 (equivalent to RMB256 million)).

As at 30 June 2014, bank borrowings with principal amount of RMB370million are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (31 December 2013: bank borrowings with principal amount of RMB290 million are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders).

8. CAPITAL EXPENDITURE

Our capital expenditure consists primarily of purchases of property, plant and equipment. Our capital expenditure was RMB274 thousand in the six months ended 30 June 2014, compared to RMB104 thousand in the same period in 2013.

9. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

9.1 Capital Contributions to Huifang Technology

As at 31 December 2013, Huifang Technology had a registered capital of US$98,100,000 and paid-up capital of US$87,099,985. On 26 January 2014, the paid-up capital of Huifang Technology was changed to US$96,100,000 with an actual capital increase of US$9,000,015. The capital increase was contributed by Huifang Investment with the funds raised from Global Offering.

9.2 Capital Contributions to the PRC Operating Entity

On 12 February 2014, the approved registered capital of the PRC Operating Entity was increased to RMB1,000,000 thousand from RMB500,000 thousand. For more details, please refer to the disclosures in the section headed "Use of Proceeds" in the 2013 Annual Report of the Company.

9.3 Future Plans Relating to Material Investments

The Group has no specific plans for material investments or acquisition of capital assets during the six months period ended 30 June 2014. However, the Group will continue to seek new business opportunities.

10. CONTINGENCIES, CONTRACTUAL OBLIGATIONS, LIQUIDITY AND FINANCIAL RESOURCES

10.1 Contingencies

As at 30 June 2014, the Group did not have any significant contingent liabilities.

10.2 Commitments

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

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

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
No later than 1 year	**125**	2,763
Later than 1 year and no later than 5 years	**3,552**	3,337
Later than 5 years	**—**	—
	3,677	6,100

10.3 Liquidity and Capital Resources

a. Cash Flow Analysis

As at 30 June 2014, the Group's cash and cash equivalents amounted to RMB121,805 thousand, representing a decrease of RMB217,032 thousand as compared with that at the beginning of the year. The following table sets forth a summary of our cash flows for the indicated periods:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Net cash (outflow)/inflow from operating activities	**(334,758)**	58,739
Net cash (outflow)/inflow from investing activities	**(274)**	(104)
Net cash (outflow)/inflow from financing activities	**118,000**	50,000
Increase/(Decrease) in cash and cash equivalents	**(217,032)**	108,635
Cash and cash equivalents at beginning of period	**338,837**	59,081
Cash and cash equivalents at end of period	**121,805**	167,716

Net Cash Flow from Operating Activities

During the reporting period, net cash outflow from operating activities amounted to RMB334,758 thousand. Apart from the income from operating activities, the reasons accounting for the change in cash flow mainly include: (i) the cash inflow consisting of amounts due from the Ultimate Shareholders of RMB500,000 thousand (as at 31 December 2013) upon completion of the capital contribution into the PRC Operating Entity during the reporting period; and (ii) the cash outflow consisting of the increase of loans granted to customers of RMB787,284 thousand and the increase in bank time deposits of RMB142,661 thousand.

Net Cash Flow from Financing Activities

Net cash inflow from financing activities in the reporting period amounted to RMB118,000 thousand, which consisted of new bank borrowings.

b. Liquidity Risk

The table below analyses the Group's financial liabilities by relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Repayable on demand or within 1 month RMB'000	1–6 months RMB'000	6–12 months RMB'000	Total RMB'000
(Unaudited)				
As at 30 June 2014				
Bank borrowings	—	**501,014**	**358,027**	**859,041**
Amounts due to related parties	**633**	—	—	**633**
Other financial liabilities	**1,390**	—	—	**1,390**
Total financial liabilities	**2,023**	**501,014**	**358,027**	**861,064**
(Audited)				
As at 31 December 2013				
Bank borrowings	—	237,113	514,441	751,554
IPO costs payable	3,695	—	—	3,695
Amounts due to related parties	2,582	—	—	2,582
Other financial liabilities	1,847	—	—	1,847
Total financial liabilities	8,124	237,113	514,441	759,678

11. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As of 30 June 2014, the Group had a total of 117 full-time employees, which was less than that of 31 December 2013 (118) by one employees. We will adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

For the six months ended 30 June 2014, the employee salary and benefit expense was RMB10,226 thousand, representing an increase of RMB4,038 thousand, or 65.3%, as compared with that of 2013.

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

The shareholders of the Company has adopted a share option scheme on 26 May 2014 to enable the Company to vest options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group, details of which are set out in the paragraph headed "Share Option Scheme" in "Other Information" section.

12. EVENTS AFTER REPORTING PERIOD

There is no significant event after the six months ended 30 June 2014.

13. PROSPECTS

On 12 February 2014, the Group completed the increase of the registered capital of the PRC Operating Entity from RMB500,000 thousand to RMB1,000,000 thousand. We believe that the capital increase significantly improves the Group's business growth potential and resources and increase the scale of loans we can grant, thereby helping to consolidate and boost the market share and influence of the Group.

The Group will continue to balance the use of its resources, develop its business and control the risk. In order to diversify our collateral portfolios, the Group will prudently expand the types of personal property we accept as collateral to include larger and more valuable types of personal property such as raw materials and finished products. These initiatives will expose us to new market potential currently unexplored.

In addition, we are in the process of hiring and developing more talents who are experienced in risk management to further strengthen our risk management system and enhance our risk control efficiency.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2014.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the six months ended 30 June 2014.

DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and senior management of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(1) Long positions in shares of the Company

Name of Director	Nature of Interest	Class of Shares	Number of Shares or Underlying Shares	Percentage of the Total Shares Issued
Chen Yannan	Beneficial owner	Share options	3,800,000 (L) *(Note 2)*	0.37%
	Interest in controlled corporation	Ordinary shares	65,000,000 (L) *(Note 3)*	6.34%
Wu Min	Beneficial owner	Share options	3,800,000 (L) *(Note 2)*	0.37%
	Beneficial owner	Ordinary shares	640,000 (L)	0.06%
Mao Zhuchun	Beneficial owner	Share options	2,400,000 (L) *(Note 2)*	0.23%

Name of Director	Nature of Interest	Class of Shares	Number of Shares or Underlying Shares	Percentage of the Total Shares Issued
Zhuo You	Beneficial owner	Share options	1,000,000 (L) *(Note 2)*	0.10%
	Interest in controlled corporation	Ordinary shares	39,000,000 (L) *(Note 4)*	3.80%
Cao Jian	Beneficial owner	Share options	1,000,000 (L) *(Note 2)*	0.10%
Zhang Cheng	Beneficial owner	Share options	1,000,000 (L) *(Note 2)*	0.10%
Zhang Huaqiao	Beneficial owner	Share options	2,000,000 (L) *(Note 2)*	0.20%
	Beneficial owner	Ordinary shares	400,000 (L)	0.04%
Feng Ke	Beneficial owner	Share options	2,000,000 (L) *(Note 2)*	0.20%
Tse Yat Hong	Beneficial owner	Share options	2,000,000 (L) *(Note 2)*	0.20%

Notes:

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

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

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

Note:

1. *(L) represents long position.*

Save as disclosed above, as at 30 June 2014, none of the Directors and senior management of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the following parties (other than the Directors and senior management of the Company) had interests and short positions of 5% or more of the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

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

Notes:

1. *(L) represents long position.*

2. *These shares represent the 260,000,000 shares held by Xiaolai Investment Co., Ltd and 65,000,000 shares held by Xilai Investment Co., Ltd. Each of Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd is 100% beneficially owned by Mr. Zhu Tianxiao. Accordingly, Mr. Zhu Tianxiao is deemed to be interested in all the shares beneficially owned by Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd under the SFO.*

3. *These shares are held by Baoxiang Investment Co., Ltd, which is 100% beneficially owned by Mr. Zhang Xiangrong, and therefore, Mr. Zhang Xiangrong is deemed to be interested in all these shares under the SFO.*

4. *These shares are held by Wonder Capital Co., Ltd, which is 100% beneficially owned by Mr. Ge Jian, and therefore, Mr. Ge Jian is deemed to be interested in all these shares under the SFO.*

5. *These shares are held by Dalvey Asset Holding Limited. As Dalvey Asset Holding Limited is wholly owned by RRJ Capital Master Fund II, L.P., RRJ Capital Master Fund II, L.P. is deemed to be interested in all these shares under the SFO.*

Save as disclosed above, as at 30 June 2014, no persons other than the Directors and senior management of the Company or corporations had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

On 26 May 2014, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to incentivize and reward the eligible participants for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Share Option Scheme, the Board may offer any employee (whether full-time or part-time) or a director of the Group options to subscribe for shares of the Company. For more details of the principal terms of the Share Option Scheme, please refer to the circular of the Company dated 22 April 2014.

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

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

Name or category of participants	No. of shares involved in the options outstanding as at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	No. of shares involved in the options outstanding as at 30 June 2014
Directors					
Chen Yannan	—	3,800,000	—	—	3,800,000
Wu Min	—	3,800,000	—	—	3,800,000
Mao Zhuchun	—	2,400,000	—	—	2,400,000
Zhuo You	—	1,000,000	—	—	1,000,000
Cao Jian	—	1,000,000	—	—	1,000,000
Zhang Cheng	—	1,000,000	—	—	1,000,000
Zhang Huaqiao	—	2,000,000	—	—	2,000,000
Feng Ke	—	2,000,000	—	—	2,000,000
Tse Yat Hong	—	2,000,000	—	—	2,000,000
Subtotal	—	19,000,000	—	—	19,000,000
Employees					
Employees	—	31,000,000	—	—	31,000,000
Total	—		—	—	50,000,000

The fair value for total share options granted to directors and employees amounted to RMB17,634,874 and was calculated using the Binomial option pricing model by Asset Appraisal Limited. The pricing model and significant assumptions used in the computing the fair value of options granted during the period are set out as follows:

Calculating date	16 June 2014
Option pricing model used	Binomial option pricing model
Exercise price	HK$1.4
Expected volatility	48.259%
Risk–free interest rate	1.356%
Expected dividend rate	4.476%
Expected life of the share options	2 years

Expected volatility has been determined with reference to the average of the historical volatility of daily return of share prices of such comparable companies listed in Hong Kong.

The fair values of options are highly subjective involving judgements on pricing model and a number of significant assumptions, and therefore cannot be determined with precision.

CORPORATE GOVERNANCE PRACTICES

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

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

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

In the opinion of the Board, the Company has complied with all the applicable principles and code provisions of the CG Code through the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors of the Company and they have confirmed that they have complied with the Model Code through the six months ended 30 June 2014.

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

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the six months ended 30 June 2014.

CHANGE IN DIRECTORS' INFORMATION

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

Mr. Feng Ke, Independent Non-executive Director of the Company, has been appointed as an independent director of Beijing CCID Media Investments Co., Ltd. (北京賽迪傳媒投資股份有限公司) (Stock code: 000504), a company listed on the Shenzhen Stock Exchange, since 31 December 2013.

In addition, Mr. Zhang Huaqiao, Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of the following companies:

- Yancoal Australia Limited (ASX code: YAL), a company listed on the Australian Securities Exchange, since 17 April 2014;
- Luye Pharma Group Ltd. (Stock code: 2186), a company listed on the Stock Exchange, since 19 June 2014;
- Ernest Borel Holding Limited (Stock code: 1856), a company listed on the Stock Exchange, since 24 June 2014; and
- Wanda Commercial Properties (Group) Co., Limited (Stock Code:169), a company listed on the Stock Exchange, since 1 September, 2014.

REVIEW OF INTERIM RESULTS

The audit committee (the "Audit Committee") of our Company consists of three Directors, namely, Independent Non-executive Director Mr. TSE Yat Hong, Independent Non-executive Director Mr. FENG Ke and Non-executive Director Mr. ZHANG Cheng, and is chaired by Mr. TSE Yat Hong. Our Company has adopted written terms of reference which set out clearly the constitution, authority, duties, powers and functions of the Audit Committee. Our Group's interim condensed consolidated results for the six months ended 30 June 2014 were reviewed by the members of the Audit Committee prior to the submission to the Board for approval.

The Audit Committee together with the management of our Company has reviewed the accounting policies and practices adopted by our Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2014. In addition, the independent auditor of our Company has reviewed the unaudited interim results for the six months ended 30 June 2014 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

DIVIDEND

The Board does not recommend an interim dividend for the six months period ended 30 June 2014.

Report on Review of Interim Financial Statements

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial statements set out on pages 27 to 79, which comprise the consolidated and company statements of financial position of China Huirong Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2014, and of its financial performance and its cash flows for the six-month period then ended in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2014

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Interim Consolidated Statement of Comprehensive Income

For the Six Months ended 30 June 2014

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Interest income	6	**188,200**	119,563
Interest expense	7	**(25,442)**	(8,586)
Net interest income		**162,758**	110,977
Other operating income, net	11	**1**	115
Net revenue		**162,759**	111,092
Administrative expenses	8	**(33,906)**	(24,377)
Net charge of impairment allowance on loans to customers	18(c)	**(22,027)**	(1,066)
Other gains, net	10	**5,618**	374
Profit before income tax		**112,444**	86,023
Income tax expense	12	**(35,506)**	(22,046)
Profit for the period, attributable to the equity holders of the Company		**76,938**	63,977
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period, attributable to the equity holders of the Company		**76,938**	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	**0.08**	0.10
Dividends	14	**—**	—

The notes on pages 33 to 79 are an integral part of these financial statements.

Interim Consolidated Statement of Financial Position

As at 30 June 2014

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**2,226**	2,566
Intangible assets		**303**	321
Deferred income tax assets	*16*	**6,864**	1,721
		9,393	4,608
Current assets			
Other assets	*17*	**14,316**	3,379
Loans to customers	*18*	**1,515,371**	750,114
Amounts due from related parties	*27(c)*	**—**	500,000
Cash at bank and on hand	*19*	**742,474**	816,845
		2,272,161	2,070,338
Total assets		**2,281,554**	2,074,946
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**8,111**	8,111
Share premium	*21*	**592,720**	592,720
Other reserves	*21*	**534,821**	534,365
Retained earnings		**272,081**	195,143
Total equity		**1,407,733**	1,330,339

Interim Consolidated Statement of Financial Position (Continued)

As at 30 June 2014

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*16*	**5,182**	—
		5,182	—
Current liabilities			
Other liabilities	*22*	**10,019**	14,074
Current income tax liabilities		**21,477**	9,838
Amounts due to related parties	*27(c)*	**633**	2,582
Bank borrowings	*23*	**836,510**	718,113
		868,639	744,607
Total liabilities		**873,821**	744,607
Total equity and liabilities		**2,281,554**	2,074,946
Net current assets		**1,403,522**	1,325,731
Total assets less current liabilities		**1,412,915**	1,330,339

The notes on pages 33 to 79 are an integral part of these financial statements.

Interim Statement of Financial Position of the Company

As at 30 June 2014

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
ASSETS			
Non-current assets			
Interests in subsidiaries	*24*	**357,948**	357,492
		357,948	357,492
Current assets			
Other assets	*17*	**6**	—
Amounts due from related parties	*27(c)*	**589,126**	589,126
Cash at bank and on hand	*19*	**2,638**	10,946
		591,770	600,072
Total assets		**949,718**	957,564
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**8,111**	8,111
Share premium	*21*	**592,720**	592,720
Other reserves	*21*	**357,948**	357,492
Accumulated losses		**(19,008)**	(14,807)
Total equity		**939,771**	943,516
Liabilities			
Current liabilities			
Other liabilities	*22*	**1,244**	5,841
Amounts due to related parties	*27(c)*	**8,703**	8,207
Total liabilities		**9,947**	14,048
Total equity and liabilities		**949,718**	957,564
Net current assets		**581,823**	586,024
Total assets less current liabilities		**939,771**	943,516

The notes on pages 33 to 79 are an integral part of these financial statements.

Interim Consolidated Statements of Changes in Equity

For the six months ended 30 June 2014 (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
(Unaudited)						
As at 1 January 2014		**8,111**	**592,720**	**534,365**	**195,143**	**1,330,339**
Comprehensive income						
Profit for the period		—	—	—	76,938	76,938
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the period		**—**	**—**	**—**	**76,938**	**76,938**
Value of employee services	*21(a)*	—	—	456	—	456
Total transactions with owners, recognised directly in equity		**—**	**—**	**456**	**—**	**456**
As at 30 June 2014		**8,111**	**592,720**	**534,821**	**272,081**	**1,407,733**
(Audited)						
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**

The notes on pages 33 to 79 are an integral part of these financial statements.

Interim Consolidated Statement of Cash Flow

For the six months ended 30 June 2014 (Unaudited)
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Cash flows from operating activities			
Profit before income tax		**112,444**	86,023
Adjustments for:			
Interest expense	*7*	**25,442**	8,586
Net charge of impairment allowance on loans to customers	*18(c)*	**22,027**	1,066
Depreciation and amortisation	*8*	**632**	752
Share-based payments	*21(a)*	**456**	—
		161,001	96,427
Change in operating assets and liabilities:			
— Other assets		**(10,937)**	(1,189)
— Loans to customers		**(787,284)**	(53,980)
— Term deposits with banks		**(142,661)**	50,000
— Other liabilities		**(4,055)**	660
— Amounts due from related parties	*27(c)*	**500,000**	—
— Amounts due to related parties	*27(c)*	**(1,949)**	(161)
Cash (used in)/generated from operating activities		**(285,885)**	91,757
Interest paid		**(25,045)**	(8,512)
Income tax paid		**(23,828)**	(24,506)
Net cash (outflow)/inflow from operating activities		**(334,758)**	58,739
Cash flows from investing activities			
Purchases of property, plant and equipment	*15*	**(274)**	(104)
Net cash outflow from investing activities		**(274)**	(104)
Cash flows from financing activities			
Proceeds from bank borrowings		**348,000**	310,000
Repayments of bank borrowings		**(230,000)**	(260,000)
Net cash inflow from financing activities		**118,000**	50,000
Net (decrease)/increase in cash and cash equivalents		**(217,032)**	108,635
Cash and cash equivalents at beginning of the period		**338,837**	59,081
Cash and cash equivalents at end of the period	*19*	**121,805**	167,716

The notes on pages 33 to 79 are an integral part of these financial statements.

Notes to the Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

The Reorganisation involved primarily the insertion of the Company and its other subsidiaries owned by the Ultimate Shareholders, who also owned Wuzhong Pawnshop, as holding companies of Wuzhong Pawnshop. Accordingly, the Reorganisation is accounted for using the accounting principle which is similar to that of a reverse acquisition. The financial statements of the Group have been prepared on a consolidated basis and are presented using the carrying values of the assets, liabilities and operating results of the companies comprising the Group including Wuzhong Pawnshop.

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

These interim consolidated financial statements set out on pages 27 to 79 have been approved and authorised for issue by the board of directors (the "Board") of the Company on 25 August 2014.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the interim consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of interim consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying 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 interim consolidated financial statements are disclosed in Note 4.

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going-concern basis

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

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

On 1 January 2014, the Group adopted the following new standards, amendments and interpretations:

HKAS 32 (Amendment)	Financial Instruments: Presentation, on Assets and Liabilities Offsetting
HKFRS 10, 12 and HKAS 27 (Revised 2011) (Amendment)	Consolidation for Investment Entities
HKAS 36	Impairment of Assets on Recoverable Amount Disclosures
HKAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives
HK(IFRIC) 21	Levies

The adoption of the above new standards, amendments, interpretations and other newly effective HKFRSs starting from 1 January 2014 did not give rise to any material impact on the Group's results of operations and financial position for the six months ended 30 June 2014.

The following standards, amendments and interpretations have been issued but not effective and have not yet been early adopted by the Group for the six months ended 30 June 2014:

		Effective from financial years starting on or after
HKAS 19 (Amendment)	Defined Benefit Plans	1 July 2014
HKFRS Annual Improvements 2012		1 July 2014
HKFRS Annual Improvements 2013		1 July 2014
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group is in the process of assessing the impact of these standards and amendments on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intra-group transactions that are recognised in assets are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the accounting 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 Huifang Tongda Information Technology Company Limited (蘇州匯方同達資訊科技有限公司), previously named as Suzhou Huifang Tongda Management Consulting Company Limited (蘇州匯方同達管理諮詢有限公司) (collectively "Huifang Tongda"), has entered a series of Contractual Agreements with 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, 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 Huifang 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Subsidiary from Reorganisation (Continued)

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.

(b) Subsidiaries other than from Reorganisation

Except for the Reorganisation as described in Note 1, 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.

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 interim 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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" for the six months ended 30 June 2014 and 2013.

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 related parties" 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Impairment of financial assets (Continued)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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" as at 30 June 2013 and 2014.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Foreign currency translation (Continued)

(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 are presented in the consolidated statements of comprehensive income within "other gains, net".

(c) Group Company

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary 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 income statement 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 rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

When consolidation, exchange differences on net foreign investment and borrowings are recognised in other comprehensive income. On the disposal or partial disposal of a foreign operation, all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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.

2.13 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(b) Share-based payment transactions among group entities

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 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.

2.16 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of income over the period necessary to match them with the costs that they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognised as income of the period in which they become receivable.

2.17 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.

2.18 Share capital

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.

2.19 Cash and cash equivalents

In the interim 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.

2.20 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 pawn 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.

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Credit risk (Continued)

(a) Credit risk mitigation policies (Continued)

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.

In addition to pawn loans, the Group has started to engage in entrusted loan business during the period. The entrusted loans granted are typically unsecured. The Group evaluates the credit status of individual customers, including the customers' business performance, financial information, repayment ability, as well as industrial outlook in which the customers operate. The Group would also require a licensed guarantee company to act as the guarantor for the entrusted loan.

(b) Impairment and provisioning policies

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

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Loans to customers, gross		
— Real estate backed pawn loans	884,268	497,302
— Equity interest backed pawn loans	496,647	250,509
— Personal property backed pawn loans	7,000	6,580
— Entrusted loans	153,760	—
	1,541,675	754,391
Less: Impairment allowances		
— Real estate backed pawn loan	—	—
— Equity interest backed pawn loans	(23,844)	(4,277)
— Personal property backed pawn loans	—	—
— Entrusted loans	(2,460)	—
	(26,304)	(4,277)
	1,515,371	750,114

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Credit risk (Continued)

(b) Impairment and provisioning policies (Continued)

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 require the review of individual outstanding entrusted loans and 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 individual customer, 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 RMB1,543,109 thousand as collateral for security as at 30 June 2014 (31 December 2013: RMB950,769 thousand). 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. For the six months ended 30 June 2014, 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 (for the six months ended 30 June 2013: same). Consequently no collectively assessed impairment allowances were provided for loans secured by these two collateral types.

Please refer to Note 18 for individually assessed and collectively assessed impairment allowances arising from equity interest backed pawn loans and entrusted loans.

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Credit risk exposures relating to assets are as follows:		
Other receivables	**10,673**	2,305
Loans to customers	**1,515,371**	750,114
Amounts due from related parties	**—**	500,000
Deposit with banks	**741,299**	815,202
	2,267,343	2,067,621

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Credit risk (Continued)

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

The above table represents a worst case scenario of credit risk exposure to the Group at 30 June 2014 and 31 December 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 interim 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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Neither past due nor impaired	**1,258,758**	682,537
Past due but not impaired	**266,938**	71,780
Individually impaired	**15,979**	74
Gross	**1,541,675**	754,391
Less: Impairment allowances	**(26,304)**	(4,277)
Net	**1,515,371**	750,114

(i) Loans to customers neither past due nor impaired

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

Personal property backed pawn loans are included in this category as their repayments can be effected by disposal of forfeited personal property collateral, which normally carries higher values than the carrying amount of the loan. Entrusted loans are also included in this category as none of them is past due or impaired on 30 June 2014.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Credit risk (Continued)

(d) Loans to customers (Continued)

(ii) Loans to customers past due but not impaired

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Real estate backed pawn loans, gross		
Past due up to 1 month	**110,488**	27,520
Past due 1–3 months	**30,682**	4,840
Past due 4–6 months	**43,998**	7,154
Past due over 6 months	**69,307**	30,716
	254,475	70,230
Equity interest backed pawn loans, gross		
Past due up to 1 month	**11,732**	1,550
Past due 1–3 months	**—**	—
Past due 4–6 months	**731**	—
Past due over 6 months	**—**	—
	12,463	1,550
Past due but not impaired	**266,938**	71,780

The Group accepted real estate collateral at fair value of approximately RMB675,726 thousand for real estate backed pawn loans that were past due but not impaired as at 30 June 2014 (31 December 2013: RMB157,320 thousand).

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Credit risk (Continued)

(d) Loans to customers (Continued)

(iii) Loans to customers individually impaired

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Gross individually impaired loans	**15,979**	74
As a percentage of total gross loans	**1.04%**	0.01%
Impairment allowance made in respective of such loans	**15,979**	74

Individually impaired loans related to equity interest backed pawn loans as of 30 June 2014 and 31 December 2013.

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

The Group maintains a comprehensive client base. Loans receivable from the top five customers accounted for 33.0% of the total loans to customers as at 30 June 2014 (2013: 51.4%). Interest income from the top five customers accounted for 35.4% of total interest income for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 45.0%).

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 loan granted to customer, or maturity date of bank borrowings. As at respective balance sheet dates, maturity dates of pawn loans to customers are all within six months, whilst maturity dates of entrusted loans and bank borrowings are all within 12 months. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of loans to customers, bank borrowings and interest bearing bank deposits and related party balances.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Market risk (Continued)

(a) Interest rate risk (Continued)

Based on the simulations performed and with other variables held constant, should the benchmark interest rate had been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB3,914 thousand for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB2,110 thousand), mainly as a result of higher/lower interest expense on fixed-rate bank borrowings arising from interest rate repricing.

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

(b) Foreign exchange risk

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

As at 30 June 2014, other than deposit with banks denominated in US dollar and Hong Kong dollar totaling RMB593,353 thousand (31 December 2013: RMB596,289 thousand), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should US dollar had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB5,927 thousand lower/higher for the six months ended 30 June 2014 (for the six months ended 30 June 2013: higher/lower RMB153 thousand), mainly as a result of foreign exchange losses/gains on translation of US dollar and Hong Kong dollar denominated 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk (Continued)

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

	Repayable on demand or within 1 month	1–6 months	6–12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
As at 30 June 2014				
Bank borrowings	—	**501,014**	**358,027**	**859,041**
Amounts due to related parties	**633**	—	—	**633**
Other financial liabilities	**1,390**	—	—	**1,390**
Total financial liabilities	**2,023**	**501,014**	**358,027**	**861,064**
(Audited)				
As at 31 December 2013				
Bank borrowings	—	237,113	514,441	751,554
IPO costs payable	3,695	—	—	3,695
Amounts due to related parties	2,582	—	—	2,582
Other financial liabilities	1,847	—	—	1,847
Total financial liabilities	8,124	237,113	514,441	759,678

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 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Capital risk management

The Groups 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's strategy is to maintain the gearing ratio below 50% and meet the compliance requirements of Wuzhong Pawnshop on aggregate amount of loans to customers at all times. The gearing ratio as at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bank borrowings *(Note 23)*	**836,510**	718,113
Less: Cash and cash equivalents *(Note 19)*	**(121,805)**	(338,837)
Net debt	**714,705**	379,276
Total equity	**1,407,733**	1,330,339
Total capital	**2,122,438**	1,709,615
Gearing ratio	**34%**	22%

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group's consolidated financial statements 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 consolidated financial statements.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(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 2.2.1 above, the Group's wholly owned subsidiary Huifang 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 Huifang 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 Huifang Tongda on an exclusive basis to provide consultation and other ancillary services, and in return Wuzhong Pawnshop agreed to pay Huifang Tongda the consultancy service fee; (iii) exclusive call option agreement pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Tongda an option to acquire the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the 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 Huifang Tongda for guaranteeing the performance of the above the proxy agreement, exclusive management and consultation service agreement, and the exclusive call option agreement. Pursuant to these agreements and undertakings, notwithstanding the fact that 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.

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 primarily located in the PRC under one legal entity. The principal business activity is to grant pawn loans secured by collateral and entrusted loans guaranteed by a third party to customers, mainly small and medium sized enterprises and individuals in the Greater Suzhou Area. The Group managed its business under one operating and reportable segment in accordance with the definition of a reportable segment under HKFRS 8 for the six months ended 30 June 2014 (for the six months ended 30 June 2013: same).

6 INTEREST INCOME

The Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Interest income from loans to customers		
Real estate backed pawn loans	**90,883**	71,823
Equity interest backed pawn loans	**63,352**	41,480
Personal property backed pawn loans	**15,105**	4,471
Entrusted loans	**7,856**	—
Interest income from bank deposits	**11,004**	1,789
	188,200	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 and administration fee income.

7 INTEREST EXPENSE

The Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Interest expense on bank borrowings	**25,442**	8,586

8 ADMINISTRATIVE EXPENSES

The Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Business tax and surcharges	**10,450**	7,027
Employee benefit expenses *(Note 9)*	**10,226**	6,188
Value-added tax and surcharges	**4,880**	3,674
Professional and consultancy fees	**2,855**	2,974
Transportation, meal and accommodation	**1,305**	781
Operating lease payments	**1,184**	1,188
Depreciation and amortisation	**632**	752
Auditors' remuneration — Audit services	**500**	720
Telephone, utilities and office expenses	**494**	380
Advertising costs	**10**	62
Other costs	**1,370**	631
	33,906	24,377

The Group's loan business are subject to business tax and surcharges. Business tax is levied at 5% of revenue from interest income on loans to customers, while surcharges are 12% of business tax payable. Other PRC subsidiaries of the Group are subject to value-added tax and surcharges. Under the Exclusive Management and Consultation Service Agreement, Wuzhong Pawnshop has engaged Huifang Tongda on an exclusive basis to provide consultation and other ancillary services. Such consultancy service fee income is subject to output value-added tax at 6% while surcharges are 12% of value-added tax payable.

9 EMPLOYEE BENEFIT EXPENSES

The Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Wages and salaries	**6,770**	3,728
Discretionary bonuses	**1,615**	1,230
Other social security obligations	**765**	695
Pension	**620**	535
Employee incentive scheme *(Note 21(a))*	**456**	—
	10,226	6,188

10 OTHER GAINS, NET

The Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Net foreign currency gains	**5,438**	274
Government grants	**180**	100
	5,618	374

Notes to the Interim Consolidated Financial Statements (Continued)

For the six months ended 30 June 2014 (Unaudited)

(All amounts in RMB thousands unless otherwise stated)

11 OTHER OPERATING INCOME, NET

The Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Net gains from disposal of repossessed assets	**1**	115

12 INCOME TAX EXPENSE

The Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Current income tax	**35,467**	22,312
Deferred income tax	**39**	(266)
	35,506	22,046

The difference between the actual income tax charge in the interim 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:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Profit before income tax	**112,444**	86,023
Tax calculated at statutory tax rates	**29,132**	22,000
Tax effect of:		
— Expenses not deductible for tax purposes	**480**	46
— Adjustment in respect of prior years	**712**	—
— PRC withholding tax	**5,182**	—
Tax charge	**35,506**	22,046

12 INCOME TAX EXPENSE (Continued)

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

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

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 six months ended 30 June 2014 (for the six months ended 30 June 2013: 16.5%).

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

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to 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. The Group accrued for PRC withholding tax with amount of RMB5,182 thousand based on the tax rate of 10% on a portion of the earnings generated by certain PRC entities for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil). The Group controls the dividend policies of these subsidiaries and it has been determined that a majority of these earnings will probably not be distributed in the foreseeable future.

Notes to the Interim Consolidated Financial Statements (Continued)

For the six months ended 30 June 2014 (Unaudited)
(All amounts in RMB thousands unless otherwise stated)

13 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for each of the period is calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue during 2013, the 650,000,000 shares of the Company issued and allotted in connection with the Reorganisation (Note 1 and 2.1), had been treated as if those shares were in issue since 1 January 2012.

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Audited)
Profit attributable to equity holders of the Company (RMB'000)	**76,938**	63,977
Weighted average number of ordinary shares in issue (in thousands)	**1,025,237**	650,000
Basic earnings per share (RMB)	**0.08**	0.10

(b) Dilutive earnings per share

As there were no options or shares in issue with potential dilutive effect during the six months ended 30 June 2014, diluted earnings per share is the same as basic earnings per share (for the six months ended 30 June 2013: same).

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 six months ended 30 June 2014 (for the six months ended 30 June 2013: same).

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements RMB'000	Furniture & equipment RMB'000	Vehicles RMB'000	Total RMB'000
(Unaudited)				
Six months ended 30 June 2014				
Net book value				
Opening amount as at 1 January 2014	**1,784**	**782**	—	**2,566**
Additions	**206**	**68**	—	**274**
Depreciation	**(415)**	**(199)**	—	**(614)**
Closing amount as at 30 June 2014	**1,575**	**651**	—	**2,226**
(Audited)				
Six months ended 30 June 2013				
Net book value				
Opening amount as at 1 January 2013	2,635	1,232	40	3,907
Additions	80	24	—	104
Depreciation	(487)	(227)	(20)	(734)
Closing amount as at 30 June 2013	2,228	1,029	20	3,277

The Depreciation charges of property, plant and equipment have all been included in "administrative expenses" in the consolidated statements of comprehensive income for the respective periods.

16 DEFERRED INCOME TAX

The Group

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Deferred income tax assets:		
— to be recovered within 12 months	**6,864**	1,721
Deferred income tax liabilities		
— to be recovered after more than 12 months	**(5,182)**	—

16 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities for the six months ended 30 June 2013 and 2014, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Tax on impairment charge on loans to customers RMB'000	Recoverable tax losses RMB'000	Total RMB'000
Deferred income tax assets			
(Unaudited)			
At 1 January 2014	1,069	652	1,721
Credited to the consolidated statements of comprehensive income	5,507	(364)	5,143
At 30 June 2014	6,576	288	6,864
(Audited)			
At 1 January 2013	1,913	—	1,913
Credited to the consolidated statements of comprehensive income	266	—	266
At 30 June 2013	2,179	—	2,179

	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
Deferred income tax liabilities		
(Unaudited)		
At 1 January 2014	—	—
Credited to the consolidated statements of comprehensive income	5,182	5,182
At 30 June 2014	5,182	5,182

As at 30 June 2014, deferred income tax liabilities of RMB5,182 thousand have been recognised for the PRC withholding tax which would be paid upon remittance, in respect of a portion of unremitted distributable profits of certain PRC subsidiaries attributable to the investors outside PRC (31 December 2013: Nil).

17 OTHER ASSETS

The Group

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Interest receivables from bank deposits	9,758	963
Repossessed assets		
—Personal properties	3,643	1,074
Other receivables	915	1,342
	14,316	3,379

The Company

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Prepaid expenses	6	—

18 LOANS TO CUSTOMERS

The Group

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Loans to customers, gross		
Real estate backed pawn loans	**884,268**	497,302
Equity interest backed pawn loans	**496,647**	250,509
Personal property backed pawn loans	**7,000**	6,580
Entrusted loans	**153,760**	—
	1,541,675	754,391
Less: Impairment allowances		
— Individually assessed	**(15,979)**	(74)
— Collectively assessed	**(10,325)**	(4,203)
	(26,304)	(4,277)
Loans to customers, net	**1,515,371**	750,114

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are within six months. The real estate backed and equity interest backed pawn loans provided to customers bear fixed interest rates ranging from 22.37% to 37.99% per annum in the six months ended 30 June 2014 (for the six months ended 30 June 2013: from 22.38% to 38.00%).

Entrusted loans periods granted to customers are all within one year. Customers bear a fixed interest rate of 12%per annum in the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

Loans to customers are all denominated in RMB. The impairment allowances are all related to equity interest backed pawn loans and entrusted loans (Note 3.1.1(b)).

As at 30 June 2014, renewed loans amounted to RMB197,470 thousand, comprising real estate backed pawn loans of RMB183,420 thousand and an equity interest backed pawn loan of RMB14,050 thousand (31 December 2013: renewed loans amounted to RMB59,310 thousand, comprising real estate backed pawn loans of RMB45,260 thousand and an equity interest backed pawn loan of RMB14,050 thousand). No renewed loans had substantially modified their original contractual terms for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Same).

18 LOANS TO CUSTOMERS (Continued)

(a) Aging analysis of loans to customers

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 3 months	**713,326**	449,538
3–6 months	**466,737**	185,217
6–12 months	**228,477**	59,283
12–24 months	**93,833**	41,369
Over 24 months	**12,998**	14,707
	1,515,371	750,114

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Individually assessed		
At beginning of period	**74**	3,957
Impairment losses recognised	**15,905**	191
Net write back of loan provision	**—**	(990)
Loans written off as un-collectible	**—**	(3,084)
At end of period	**15,979**	74
Collectively assessed		
At beginning of period	**4,203**	2,550
Impairment losses recognised	**6,122**	1,653
At end of period	**10,325**	4,203

18 LOANS TO CUSTOMERS (Continued)

(c) Net charge on loans to customers

	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Net charge/(reversal) of impairment allowance		
Individually assessed	**15,905**	(358)
Collectively assessed	**6,122**	1,424
	22,027	1,066

At the end of 30 June 2014, one equity interest backed pawn loan with outstanding balance of RMB14,181 thousand was past due over 3 months and the borrower had not pay interest accrued since the loan was past due. The borrower pledged 50,000,000 shares of his company's equity interest to secure the loan. The loan is also guaranteed by a third party. Since there is large uncertainty of the timing and recoverable amount of the pledge, the Group decided to accrue 100% individual impairment allowance of this loan.

19 CASH AT BANK AND ON HAND

The Group

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Cash on hand	**1,175**	1,643
Demand deposits with banks	**120,630**	337,194
Term deposits with banks with original maturities over 3 months	**620,669**	478,008
	742,474	816,845

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
RMB	**119,121**	120,556
US dollar	**177**	207,586
Hong Kong dollar	**2,507**	10,695
	121,805	338,837

19 CASH AT BANK AND ON HAND (Continued)

The Group (Continued)

As at 30 June 2014, US$51,000,000(equivalent to RMB314 million) (31 December 2013: US$41,999,985 (equivalent to RMB256 million)) are restricted term deposits pledged to banks to secure bank borrowing with principal amount of RMB275 million (31 December 2013: RMB227 million) (Note 23).

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Cash at bank and on hand	742,474	816,845
Less: Term deposits with banks with original maturities over 3 months	(620,669)	(478,008)
	121,805	338,837

The Company

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Demand deposits with banks	2,638	10,946

Cash on hand of the Company were denominated in the following currencies:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
US dollar	135	10,690
Hong Kong dollar	2,503	256
	2,638	10,946

(All amounts in RMB thousands unless otherwise stated)

20 SHARE CAPITAL

The Group and the Company

	Number of shares	Ordinary shares HK$	Ordinary shares RMB
Authorised:			
As at 30 June 2014 and 31 December 2013	10,000,000,000	100,000,000	
Issued and fully paid:			
(Unaudited)			
As at 30 June 2014 and 31 December 2013	1,025,237,000	10,252,370	8,111,014
(Audited)			
As at 1 January 2013 and 30 June 2013	7,800,000	78,000	63,000
Split of the originally issued 7,800,000 shares into 650,000,000 shares on 28 October 2013, HK$0.01 each *(a)*	642,200,000	6,422,000	5,080,000
Issuance of 375,236,000 shares on 28 October 2013, HK$0.01 each *(b)*	375,236,000	3,752,360	2,968,000
Over allotment of 1,000 shares on 20 November 2013, HK$0.01 each *(c)*	1,000	10	8
As at 31 December 2013	1,025,237,000	10,252,370	8,111,014

(a) On 6 October 2013, resolutions were passed by the shareholders of the Company to split the originally issued 7,800,000 shares into 650,000,000 shares upon the Global Offering, of a par value of HK$0.01 each. The 642,200,000 new shares, amounting to HK$6,422 thousand (equivalent to RMB5,080 thousand), were subsequently issued and allotted to the holders of the shares whose names appeared on the register of members at the close of business on 28 October 2013 in the same proportion as their then shareholdings in the Company. Issue of the new shares was made out of the share premium account.

(b) On 28 October 2013, the Company issued 375,236,000 ordinary shares of HK$0.01 each at HK$2.18 per share in connection with the Global Offering, and raised gross proceeds of approximately HK$818,014 thousand (equivalent to RMB647,115 thousand). The excess of RMB644,147 thousand over the par value of RMB2,968 thousand for the 375,236,000 ordinary shares issued, net of the relevant incremental costs of RMB46,348 thousand directly contributable to the new shares issued, was credited to "share premium" with amount of RMB597,800 thousand (Note 21).

(c) On 20 November 2013, the Company issued 1,000 ordinary shares of HK$0.01 each at HK$2.18 per share in connection with the over allotment, and raised gross proceeds of approximately HK$2,180 (equivalent to RMB1,725). The excess of RMB1,717 over the par value of RMB8 for the 1,000 ordinary shares issued, was credited to "share premium" with amount of RMB1,717 (Note 21).

21 SHARE PREMIUM AND OTHER RESERVES

The Group

		Other reserves			
	Share premium RMB'000	**Capital reserve** RMB'000	**Statutory reserve** RMB'000	**Employee incentive scheme reserve** RMB'000	**Total** RMB'000
(Unaudited)					
At 1 January 2014	592,720	500,000	34,365	—	1,127,085
Employee incentive scheme *(a)*	—	—	—	456	456
At 30 June 2014	592,720	500,000	34,365	456	1,127,541
(Audited)					
At 1 January 2013 and 30 June 2013	—	500,000	21,400	—	521,400
Split of the originally issued 7,800,000 shares into 650,000,000 shares *(Note 20(a))*	(5,080)	—	—	—	(5,080)
Issuance and over allotment of ordinary shares *(Note 20(b))*	597,800	—	—	—	597,800
Appropriation to statutory reserves	—	—	12,965	—	12,965
At 31 December 2013	592,720	500,000	34,365	—	1,127,085

(a) Employee incentive scheme

The shareholders of the Company has adopted a share option scheme on 26 May 2014 to enable the Company to vest options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Company granted 50,000 thousand share options to eligible participants on 16 June 2014 under the share option scheme with an exercise price of HK$1.4. Options are conditional on the employee completing two years' service (the vesting period). The options are exercisable starting two years from the grant date, subject to the Group achieving 80% or above of its targeted earnings for profit attributable to the equity holders of the Company; the options have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The Group recognised RMB456 thousand as employee benefit expense for the six months ended 30 June 2014.

Notes to the Interim Consolidated Financial Statements (Continued)

For the six months ended 30 June 2014 (Unaudited)
(All amounts in RMB thousands unless otherwise stated)

21 SHARE PREMIUM AND OTHER RESERVES (Continued)

The Company

		Other reserves			
	Share premium	**Capital reserve**	**Statutory reserve**	**Employee incentive scheme reserve**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
At 1 January 2014	592,720	357,492	—	—	950,212
Value of employee services	—	—	—	456	456
At 30 June 2014	592,720	357,492	—	456	950,668
(Audited)					
At 1 January 2013 and 30 June 2013	—	357,492	—	—	357,492

22 OTHER LIABILITIES

The Group

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Accrued employee benefits	**5,351**	4,015
Turnover tax and other tax payable	**3,278**	2,371
IPO costs payable	**—**	3,695
Accrued expenses	**—**	2,146
Other financial liabilities	**1,390**	1,847
	10,019	14,074

As at 30 June 2014, the Group's other financial liabilities were non-interest bearing. The fair value approximates their carrying amounts due to their short maturities (31 December 2013: same).

The Company

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Accrued expenses	**1,244**	2,146
IPO costs payable	**—**	3,695
	1,244	5,841

23 BANK BORROWINGS

The Group

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Bank borrowings-principal	835,000	717,000
Bank borrowings-interest payable	1,510	1,113
	836,510	718,113

Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 5.70% to 7.80% per annum in the six months ended 30 June 2014 (for the six months ended 30 June 2013: 6.72% to 7.80%).

As at 30 June 2014, bank borrowings with principal amount of RMB275 million are secured by the restricted term deposits of US$51,000,000 (equivalent to RMB314 million) (31 December 2013: bank borrowings with principal amount of RMB227 million are secured by the restricted term deposits of US$41,999,985 (equivalent to RMB256 million)) (Note 19).

As at 30 June 2014, bank borrowings with principal amount of RMB370 million are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (31 December 2013: bank borrowings with principal amount of RMB290 million are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders).

The fair values of bank borrowings approximate their carrying amounts as the discounting impact is not significant.

The Group's borrowings are denominated in RMB.

As at 30 June 2014, the Group has undrawn borrowing facilities of RMB30 million expiring within one year (31 December 2013: RMB80 million), with interest rate being set within 30% above the benchmark rate.

24 INTERESTS IN SUBSIDIARIES

The Company

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Unlisted investments, at cost	357,948	357,492

(All amounts in RMB thousands unless otherwise stated)

24 INTERESTS IN SUBSIDIARIES (Continued)

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

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The Company recognised RMB456 thousand as an increase to investment in subsidiary undertakings, with a corresponding increase in equity.

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	BVI	22 November 2011	Limited company	1 share of US$1	100%	—	investment holding	
Tongda Investment Limited	BVI	22 November 2011	Limited company	1 share of US$1	—	100%	investment holding	
Rongda Investment Limited	Hong Kong	05 December 2011	Limited company	1 share of US$1	—	100%	investment holding	
Huifang Investment Limited	Hong Kong	05 December 2011	Limited company	1 share of US$1	—	100%	investment holding	
Suzhou Huifang Technology Company Limited ("Huifang Technology")	The PRC	29 December 2011	Limited company	US$96,100,000 /US$98,100,000	—	100%	management and marketing consulting	
Suzhou Huifang Tongda Information Technology Company Limited ("Huifang Tongda")	The PRC	10 December 2012	Limited company	RMB20,100,000	—	100%	management and marketing consulting	
Suzhou Wuzhong Pawnshop Co., Ltd. ("Wuzhong Pawnshop")	The PRC	21 December 1999	Limited company	RMB1,000,000,000	—	100%	pawnshop services	(a)

(a) *Although the Group does not have any equity interest in Wuzhong Pawnshop, the Group effectively controls Wuzhong Pawnshop as Huifang Tongda has the power to govern the financial and operating policies of Wuzhong Pawnshop so as to derive benefits from its business activities.*

25 CONTINGENCIES

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: same).

26 COMMITMENTS

(a) Operating lease commitments

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

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
No later than 1 year	**125**	2,763
Later than 1 year and no later than 5 years	**3,552**	3,337
Later than 5 years	**—**	—
	3,677	6,100

27 RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
Office rental payable to Wuzhong Real Estate by the Group	**117**	118

27 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

The Company

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
IPO costs paid by Huifang Tongda on behalf of the Company	**1,949**	—
Fee paid by Huifang Tongda on behalf of the Company	**116**	485

As at 30 June 2014, bank borrowings with principal amount of RMB370 million are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (31 December 2013: bank borrowings with principal amount of RMB290 million are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders) (Note 23).

(c) Balances with related parties

The Group

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Amounts due from related parties		
Due from Ultimate Shareholders *(i)*	—	500,000
Amounts due to related parties		
Due to BVI entities owned by the Ultimate Shareholders	**633**	633
Due to Wuzhong Jiaye	—	1,949
	633	2,582

(i) As set out in the prospectus of the Company dated 16 October 2013, proceeds from the Global Offering shall ultimately contribute to Wuzhong Pawnshop as registered capital. The Group agreed to extend interest-free loans equivalent to the capital contribution amount to the Ultimate Shareholders. The Ultimate Shareholders will contribute all loan proceeds to the registered capital of Wuzhong Jiaye and Hengyue Consulting, which will in turn contribute such amount to Wuzhong Pawnshop as registered capital. The Global Offering proceeds were presented as amounts due from Ultimate Shareholders of the Group as at 31 December 2013 before the completion of capital contribution. On 21 February 2014, Wuzhong Jiaye and Hengyue Consulting have completed capital injection of RMB500,000 thousand into Wuzhong Pawnshop in the form of cash. The capital increase has been verified by Suzhou Changcheng CPA Co., Ltd.

27 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

The Company

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Amounts due to related parties		
Due to Huifang Tongda	**7,477**	5,032
Due to BVI entities owned by the Ultimate Shareholders	**633**	633
Due to Huifang Technology	**593**	593
Due to Wuzhong Jiaye	**—**	1,949
	8,703	8,207
Amount due from related parties		
Due from Huifang Investment Limited	**588,488**	588,488
Due from Sifang Investment Limited	**638**	638
	589,126	589,126

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 30 June 2014 (31 December 2013: same).

Balances with related parties were interest-free.

(d) Key management compensation

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

	Six months ended 30 June 2014 RMB'000 (Unaudited)	Six months ended 30 June 2013 RMB'000 (Audited)
Basic salaries	**1,206**	788
Discretionary bonuses	**624**	370
Pension and other social security obligations	**194**	159
Share-based payments	**183**	—
	2,207	1,317

Definitions

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

"Board" or "Board of Directors"	the board of directors of our Company
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Company" or "our Company"	China Huirong Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 11 November 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
"Director(s)"	the director(s) of our Company
"Contractual Arrangements"	a series of contracts entered into by Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be), details of which are described in the section headed ''Our History and Reorganisation — Contractual Arrangements'' in the prospectus
"Global Offering" or "IPO"	the Hong Kong Public Offering and the International Offering
"Greater Suzhou Area"	Suzhou city and the four county-level cities that are governed by the Suzhou city government, namely, Changshu, Kunshan, Taichang and Zhangjiagang
"Group", "our Group", "we", "our" or "us"	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as the subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
"Hengyue Consulting"	蘇州新區恒悦管理諮詢有限公司 (Suzhou Xinqu Hengyue Management Consulting Co., Ltd.), a limited liability company established under the laws of the PRC on 22 October 2007, one of the direct shareholders of the PRC Operating Entity
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huifang Technology"	Suzhou Huifang Management Consulting Co., Ltd (蘇州匯方管理諮詢有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 29 December 2011, which is an indirect wholly owned subsidiary of our Company. On 12 December 2013, the name of Suzhou Huifang Management Consulting Co. Ltd. (蘇州匯方管理諮詢有限公司) was changed to Suzhou Huifang Technology Co. Ltd. (蘇州匯方科技有限公司) upon the approval from Administration for Industry and Commercial of Suzhou, Jiangsu
"Huifang Investment"	Huifang Investment Limited (匯方投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 5 December 2011 and a wholly-owned subsidiary of our Company
"Huifang Tongda"	Suzhou Huifang Tongda Management Consulting Co., Ltd (蘇州匯方同達管理諮詢有限公司), a limited liability company established in the PRC on 10 February 2012 which is an indirect wholly-owned subsidiary of our Company. On 11 December 2013, the name of Suzhou Huifang Tongda Management Consulting Co., Ltd (蘇州匯方同達管理諮詢有限公司) was changed to Suzhou Huifang Tongda Information Technology Co., Ltd (蘇州匯方同達信息科技有限公司) upon the approval from Administration for Industry and Commercial of Wuzhong, Suzhou

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transaction by Directors of Listing Issuers as set out in Appendix 10 to the Listing Rules
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"Pawning Measures"	the Administrative Measures for Pawning jointly issued by MOFCOM and the Ministry of Public Security (公安部) which came into effect on 1 April 2005
"PRC Operating Entity" or "Wuzhong Pawnshop"	蘇州市吳中典當有限責任公司 (Suzhou Wuzhong Pawnshop Co., Ltd.), a limited liability company established under the laws of the PRC on 21 December 1999, formerly known as 吳縣市吳中典當行有限公司 (Wuxian Wuzhong Pawnshop Co., Ltd.), a company which we do not own but the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements
"PRC Shareholders"	Mr. Zhu Tianxiao, Mr. Zhang Xiangrong, Mr. Ge Jian, Mr. Chen Yannan, Mr. Wei Xingfa, Mr. Yang Wuguan and Mr. Zhuo You, who are the ultimate and indirect shareholders of the Company. Except for Mr. Chen Yannan, who is an executive Director and the Chairman of the Company, and Mr. Zhuo You, who is a non-executive Director of the Company, none of the other PRC Shareholders is a director or senior management member of the Company
"Prospectus"	prospectus of the Company dated 16 October 2013 in relation to the Global Offering
"Reorganisation"	the reorganisation of the Group in preparation of the Listing, details of which are set out in the section headed "Our History and Reorganisation — Reorganisation" in the Prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"short-term secured loan"	a loan that is secured by underlying collateral and has an initial term of no longer than six months
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wuzhong Group"	江蘇吳中集團有限公司 (Jiangsu Wuzhong Group Co., Ltd.), a limited liability company established under the laws of the PRC on 26 May 1992, formerly known as 江蘇吳中集團公司 (Jiangsu Wuzhong Group Co.)
"Wuzhong Jiaye"	江蘇吳中嘉業集團有限公司 (Jiangsu Wuzhong Jiaye Group Co., Ltd.), a limited liability company established under the laws of the PRC on 25 April 2005, formerly known as 江蘇吳中嘉業投資有限公司 (Jiangsu Wuzhong Jiaye Investment Co., Ltd.), one of the direct shareholders of the PRC Operating Entity
"Wuzhong Real Estate"	江蘇吳中地產集團有限公司 (Jiangsu Wuzhong Real Estate Group Co., Ltd.), a limited liability company established under the laws of the PRC on 13 August 1992, formerly known as 江蘇吳中東吳產業開發公司 (Jiangsu Wuzhong Dongwu Property Development Co.), 吳縣市東吳產業開發公司 (Wuxian Dongwu Property Development Co.), and 江蘇吳中東吳產業開發有限公司 (Jiangsu Wuzhong Dongwu Property Development Co., Ltd.)

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

Glossary

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

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