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

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1290

匯達四海
融通天下

ANNUAL REPORT 2014

WE ARE COMMITTED TO BEING A LEADING COMPREHENSIVE FINANCING SERVICE PROVIDER IN CHINA.

We are dedicated to providing diversified financing services including secured loans, credit loans and internet-based loan matching platform to our customers.

We operate in Suzhou city and the four county-level cities that are governed by the Suzhou city government, or the Greater Suzhou Area, which is the most economically advanced region in Jiangsu Province, one of the most economically developed provinces in China. Our business has been steadily expanding across China.

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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, the 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

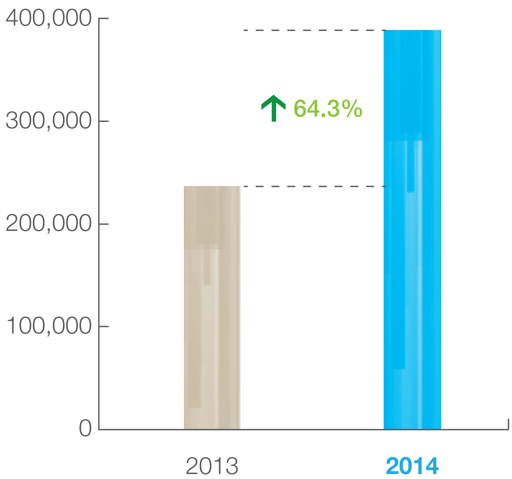
The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited

Stock Code 01290

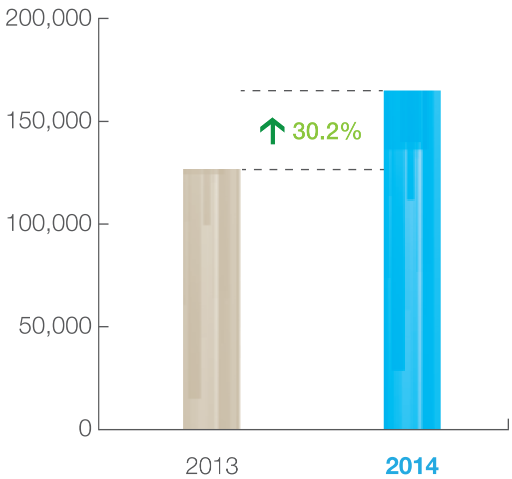
Financial Summary

	For the year ended or as at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Results					
Revenue	**388,832**	236,664	208,460	136,228	66,552
Net revenue	**335,967**	218,743	187,206	121,530	58,152
Profit attributable to equity holders	**165,003**	126,731	96,041	66,009	29,027
Financial Position					
Total assets	**2,380,204**	2,074,946	866,983	730,874	568,732
Cash at bank and on hand	**855,975**	816,845	159,081	61,439	8,461
Loans to customers	**1,494,248**	750,114	689,406	650,162	546,172
Net assets	**1,500,113**	1,330,339	602,840	339,279	283,948

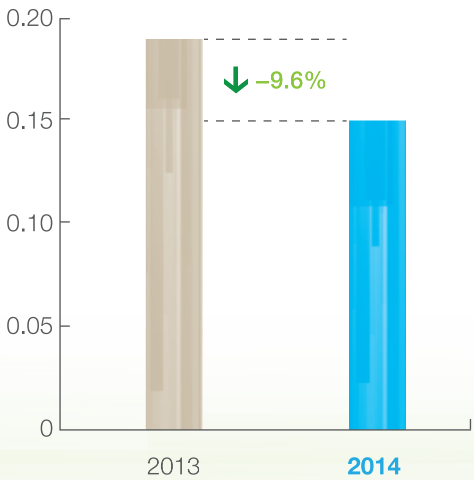
Revenue (RMB'000)



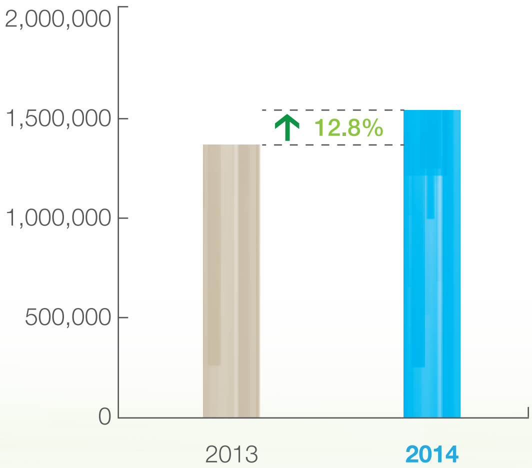
Profit attributable to equity holders (RMB'000)



Basic earnings per share (RMB)



Net assets (RMB'000)



Chen Yannan
Chairman of the Board

THROUGH OUR 15 YEARS OF OPERATION, WE HAVE ESTABLISHED A SALES NETWORK OF 11 BRANCHES, THE LARGEST NETWORK IN JIANGSU PROVINCE. THE COMPANY IS LEVERAGING THE INTERNET TO ACTIVELY EXPAND ITS BUSINESS FOOTPRINT.

Our leading position in Jiangsu Province gives us a competitive advantage in both operational scale and flexibility to cater to customers' individual needs.

On behalf of the Board of Directors of China Huirong Financial Holdings Limited, I am pleased to present the annual report of the Group for the year ended 31 December 2014.

On 28 October 2013, the Company made its successful debut in Hong Kong's capital market with its shares listed on the Main Board of the Stock Exchange. In February 2014, the registered capital of Suzhou Wuzhong Pawnshop Co. Ltd., our PRC Operating Entity, increased from RMB500,000 thousand to RMB1,000,000 thousand, which further consolidated our leading position in the industry. Year 2014 is the first complete fiscal year after the Company entered the Hong Kong capital market. Our directors, management and all the staff have made concerted efforts to deal with the economic conditions and the changing market environment under the "New Normal" and strive to improve our management system as well as corporate operations management in respect of corporate governance, human resources management, risk control and information platforms.

Chairman's Statement

During year 2014, we recorded continuous growth momentum in business scale, net income and net profit. As at 31 December 2014, our outstanding loans to customers were RMB1,494,248 thousand, representing an increase of 99.2% as compared to that as at 31 December 2013. During the year ended 31 December 2014, the Company maintained its growth momentum in financial results. Net revenue of the year 2014 was RMB335,967 thousand, representing an increase of 53.6% as compared to that of year 2013; profit attributable to equity holders was RMB165,003 thousand, representing an increase of 30.2% as compared to that of year 2013. For such outstanding results achieved in the year, I would like to express my sincere gratitude on behalf of the Board to all of our staff for their contribution and to all shareholders for their full support.

Looking into year 2015, the Group plans to establish two branch pawnshops in Nanjing city and Nantong city respectively in Jiangsu Province other than Suzhou, so as to maintain our leading position as a short-term secured financing service provider in China. Also, the Group successfully launched an internet financial service platform, namely, Suzhou Qian Dai (www.suzhoumoney.com) in early 2015, which is designed to provide a regulated, safe and reliable online platform for peer-to-peer financial services business. Moreover, we will apply the Group's retained earnings for acquisitions of small loan companies to further expand our customer base and integrate with the on peep-to-peer financial service business to develop the Group into a comprehensive financing service provider. In short, we will strive to expand our operation space and provide diversified financing services to our customers as well as to create a greater value for our shareholders.

Stepping into year 2015, the Group will continue to strive for greater achievements with an enterprising spirit. We have full confidence for the year 2015.

China Huirong Financial Holdings Limited
Chen Yannan
Chairman of the Board

30 March 2015

Management Discussion and Analysis

1. BUSINESS REVIEW

The year of 2014 was full of challenges. The PRC economy is stepping into a new cycle during which it has been undergoing a slowdown in growth, and experiencing the short term pain of structural adjustment and the aftermath of the economic stimulation policies promulgated previously. Small and medium-sized enterprises, which are our major customers, are directly affected by the pressures of slower growth, slower turnover and upgrading and restructuring. Suzhou Wuzhong Pawnshop Co., Ltd., the PRC Operating Entity of the Group, is mainly engaged in provision of loans which are primarily secured by real estate collateral in Suzhou. Therefore, the fluctuations in real estate market of Suzhou will cast significant impacts on the Company's operation. Despite a dampened housing market across the country in the year of 2014, the real estate market in Suzhou has managed to maintain a steady performance due to sound industrial structure and strong purchasing power in Suzhou.

Under the market changes mentioned in the forgoing, the Group's business review in 2014 is as follows:

1.1 Significant growth in business scale of the Group

In February 2014, the approved registered capital of Suzhou Wuzhong Pawnshop Co. Ltd., the PRC Operating Entity of the Group, increased from RMB500,000 thousand to RMB1,000,000 thousand. As our registered capital is directly proportional to the amount of loan we can grant to our customers, the increase in our registered capital has further consolidated our leading position in the industry.

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

	Year ended 31 December	
	2014	2013
Total new loan amount granted (RMB in millions)	**3,628**	1,182
Total number of new loans granted	**256**	108
Total loan amount renewed (RMB in millions)	**207**	303
Total number of loans renewed	**11**	31
Average loan repayment period (days)	**78**	149

In the expansion of business scale, the Group at the same time focused on the provision of short-term secured financing with a short cycle and fast recovery. During the financial year ended 31 December 2014 (the "Reporting Year"), the average loan repayment period shortened to 78 days from 149 days for the year ended 31 December 2013.

1.2 Continued increase in outstanding loans to customers

As at 31 December 2014, our outstanding loans to customers were RMB1,494,248 thousand, representing an increase of 99.2% as compared to that as at 31 December 2013.

	As at 31 December		
	2014	2013	Growth
	RMB'000	RMB'000	%
Pawn loans to customers, net			
— Real estate backed pawn loans	**858,934**	497,302	72.7%
— Equity interest backed pawn loans	**440,471**	246,232	78.9%
— Personal property backed pawn loans	**10,960**	6,580	66.6%
— Entrusted loans	**183,883**	—	—
	1,494,248	750,114	99.2%

1.3 Stable yield performance of loans to customers

During the Reporting Year, our gross loan yield remained stable at 32.6% (for the year ended 31 December 2013: 32.3%).

1.4 Increased impairment allowance to reflect changes in market environment

As at 31 December 2014, the Group had outstanding loans that individually impaired amounting to RMB25,893 thousand, representing 1.7% of the outstanding loans granted to customers (before provision). The above loans are expected to incur impairment loss of RMB19,633 thousand, representing 1.3% of the outstanding loans granted to customers. In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 31 December 2014, the impairment allowance made by the Group amounted to RMB40,196 thousand, representing 2.6% of the outstanding loans granted to customers (before provision).

The Group has been exploring opportunities to expand its business. We have commenced our online P2P lending business by establishing an internet financial platform, Suzhou Money (www.suzhoumoney.com), which has been officially launched since early 2015.

The Group proposed to acquire equity interests of a microfinance company known as Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. in 2015. For details of the acquisition, please refer to the announcement of the Company dated 30 March 2015.

2. FINANCIAL REVIEW

During the Reporting Year, the Company maintained its growth momentum in financial results. Net revenue of the year 2014 was RMB335,967 thousand, representing an increase of 53.6% as compared to that of 2013; profit attributable to equity holders was RMB165,003 thousand, representing an increase of 30.2% as compared to that of year 2013.

During the Reporting Year, the actual profit attributable to equity holders was RMB165,003 thousand after deducting the two expense items below:

(i) a provision for withholding tax of RMB5,202 thousand (2013: Nil). Pursuant to the CIT Law, the dividends declared by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China are subject to a 10% withholding tax when remitted abroad. Even though such expenses would not give rise to a present tax obligation of the Group before remitting the dividend abroad, the Group accrued such income tax expenses based on its best estimate.

(ii) employee remuneration and benefit expenses of RMB4,771 thousand (2013: nil) recognised in respect of the share option scheme. The shareholders of the Company approved and adopted a share option scheme on 26 May 2014. On 16 June 2014, a total of 50,000,000 share options to subscribe up to a total of 50,000,000 ordinary shares of the Company of HK$0.01 each were granted under the share option scheme by the Company. As a result, the Group recognised employee remuneration and benefit expenses in an amount of RMB4,771 thousand in respect of the share option scheme. Such expenses did not lead to cash outflow from the Group, and were recorded as the Group's capital reserves upon recognition of the employee benefit expenses without any effect on the Group's total equity.

For the convenience of comparison, without considering the effect of the two items mentioned above, the operating net profit during the Reporting Year would be RMB174,976 thousand, up by approximately 38.1% over 2013.

The financial review is summarised as follows:

2.1 Interest income, interest costs and net interest margin

Interest income: During the Reporting Year, our interest income increased by 64.3% from 2013 to RMB388,832 thousand (2013: RMB236,664 thousand), mainly attributable to the growth in loans granted to customers. Interest income from the top five customers accounted for 33.6% of total interest income for the Reporting Year (2013: 41.0%).

Interest cost: During the Reporting Year, our interest costs increased by 187.5% from 2013 to RMB52,866 thousand (2013: RMB18,391 thousand), primarily due to substantially higher average amount of bank borrowings during the reporting period as compared with the same period of last year.

Net interest margin: Net interest margin equals net interest income divided by the average of the beginning and the ending balances of interest earning assets, which equals the sum of the balances of loans to customers and deposits with banks. Net interest margin was 17.2% during the Reporting Year (2013: 18.1%).

2.2 Administrative expenses

The administrative expenses during the Reporting Year amounted to RMB72,769 thousand, an increase of RMB25,232 thousand or 53.1% from that of 2013 (2013: RMB47,537 thousand). The increase was mainly due to:

(i) the increases in business tax and surcharges and value-added tax and surcharges amounting to RMB7,833 thousand and RMB3,338 thousand respectively, totalling RMB11,171 thousand, which were mainly due to an increased in turnover tax payable in accordance with relevant tax laws along with the growth in the interest income and profit for the PRC Operating Entity.

(ii) the increase in employee remuneration and benefits of RMB10,997 thousand, which was mainly due to the growth in business, interest income and profit which caused an increase in employee remuneration and benefits amounting to RMB6,226 thousand, and employee remuneration and benefits amounting to RMB4,771 thousand recognised in respect of the share option scheme (the employee remuneration and benefits recognised in respect of the share option scheme did not lead to a cash outflow from the Group, and were recorded as the Group's capital reserves upon recognition of the employee benefit expenses without any effect on the Group's total equity).

During the Reporting Year, the ratio of administrative expenses to net revenue remained stable at 21.7% (2013: 21.7%).

2.3 Net charge of impairment allowance

During the Reporting Year, net charge of impairment allowance was RMB35,919 thousand, comprised of individually assessed impairment allowance of RMB19,559 thousand and collectively assessed impairment allowance of RMB16,360 thousand.

For the year ended 31 December 2013, net charge of impairment allowance was RMB854 thousand.

The significant increase in net charge of impairment allowance during the Reporting Year was mainly because the additional impairment allowance were required to adequately reflect the Group's market risk exposure in light of changes in the operating environment.

2.4 Income Tax Expenses

During the Reporting Year, the income tax expenses amounted to RMB66,370 thousand, an increase of 55.4% as compared to that of 2013.

The income tax expenses included withholding tax of RMB5,202 thousand (2013: Nil). Pursuant to the CIT Law, the dividends declared by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China are subject to a 10% withholding tax when remitted abroad. Even though such expenses would not give rise to a present tax obligation of the Group before remitting the dividend abroad, the Group accrued such income tax expenses based on its best estimate.

Excluding the effect of withholding tax, the effective tax rate during the Reporting Year was 26.4% (2013: 25.2%).

2.5 Profit attributable to equity holders and return on assets

During the Reporting Year, profit attributable to equity holders was RMB165,003 thousand (2013: RMB126,731 thousand), representing an increase of 30.2% over that of 2013.

During the Reporting Year, return on average assets was 7.4% (2013: 8.6%) and return on average equity was 11.7% (2013: 13.1%). The decline in return on average assets and equity was resulted from the fact that the funds raised in the initial public offering of the shares of the Company were used to grant loans to customers and began to generate interest income after completion of increasing the approved registered capital of the PRC Operating Entity to RMB1,000,000 thousand from RMB500,000 thousand in February 2014. Accordingly, with a larger capital and equity base, the return on average assets and equity was affected.

3. LOANS TO CUSTOMERS

3.1 Loan portfolio

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

	As at 31 December	
	2014	2013
Gross loans to customers, inclusive of principal and interest (RMB'000)		
Loans secured by real estate collateral	**869,181**	497,302
Loans secured by equity interest collateral	**467,430**	250,509
Loans secured by personal property collateral	**10,960**	6,580
Entrusted loans	**186,873**	—
Total	**1,534,444**	754,391
Number of loans outstanding		
Loans secured by real estate collateral	**78**	52
Loans secured by equity interest collateral	**42**	21
Loans secured by personal property collateral	**850**	806
Entrusted loans	**5**	—
Total	**975**	879
Average loan amount (RMB'000)		
Loans secured by real estate collateral	**11,143**	9,564
Loans secured by equity interest collateral	**11,129**	11,929
Loans secured by personal property collateral	**12.9**	8.2
Entrusted loans	**37,375**	—

Our principal activity is to provide our customers with pawn loans secured by real estate, equity interest or personal property collateral. Besides, we started to provide entrusted loans since 2014. 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 after evaluating the credit status of such customers, including their business performance, financial position and repayment ability.

An entrusted loan is a lending arrangement whereby 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.

3.2 Loan classification and impairment allowances

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

	As at 31 December			
	2014		2013	
	RMB'000	Percentage	RMB'000	Percentage
Neither past due nor impaired	1,230,672	80.20%	682,537	90.48%
Past due but not impaired (i)	277,879	18.11%	71,780	9.51%
Individually impaired (ii)	25,893	1.69%	74	0.01%
Gross	1,534,444	100.00%	754,391	100.00%
Less: Impairment allowance (iii)	(40,196)	2.62%	(4,277)	0.57%
Net	1,494,248	—	750,114	—

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

As at 31 December 2014, loans that were past due but not impaired amounted to RMB277,879 thousand, including loans secured by real estate collateral of RMB259,241 thousand, accounting for 93.3%, and loans secured by equity interest collateral of RMB18,638 thousand, accounting for 6.7%. The loans are either fully secured by real estate collateral with a reasonably ascertainable market value, or in the case of equity interest backed pawn loans, there has not been a significant change in the customers' credit quality and the balances are considered fully recoverable.

(ii) Loans to customers which were individually impaired as at 31 December 2014 amounted to RMB25,893 thousand, with an estimated loss of RMB19,633 thousand. The estimated loss is due to the difficult operations of a small number of customers and is measured based on the difference between the carrying amount and the present value of estimated future cash flows of the credit assets.

(iii) In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 31 December 2014, the impairment allowance for loans secured by real estate collateral, loans secured by equity interest collateral and entrusted loans amounted to RMB40,196 thousand, representing 2.6% of the outstanding loans granted to customers (before provision).

The following table sets forth the breakdown of our impairment allowance as of the indicated dates:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Loans secured by real estate collateral	(10,247)	—
Loans secured by equity interest collateral	(26,959)	(4,277)
Loans secured by personal property collateral	—	—
Entrusted loans	(2,990)	—
Total	(40,196)	(4,277)

The balance of impairment allowance of RMB40,196 thousand comprised of individually assessed impairment allowance of RMB19,633 thousand and collectively assessed impairment allowance of RMB20,563 thousand.

3.3 Loans under legal proceedings

As at 31 December 2014, among the loans to customers that were past due but not impaired, nine loans secured by real estate collateral amounting to RMB65,632 thousand are currently under legal proceedings. No loss is expected to be incurred on such loans. The loans are fully secured by real estate collateral with a reasonably ascertainable market value and considered fully recoverable.

Among the loans that were individually impaired, one loan secured by equity interest collateral amounting to RMB10,434 thousand is currently under legal proceedings. Individually assessed impairment allowance of RMB4,174 thousand was provided on such loans.

As at 31 December 2013, six loans secured by real estate collateral amounting to RMB22,493 thousand were under legal proceedings.

4. CREDIT RISK MANAGEMENT

According to our internal policy, the principal amount of a loan we grant to a loan applicant is individually negotiated with the applicant but the appraised loan-to-value ratio of the loan is capped at 50% for equity interest collateral and 70% for real estate collateral.

The following table sets forth a breakdown by collateral type of (i) aggregate loan amount; (ii) appraised value of collateral at time of loan approval; and (iii) the weighted average appraised loan-to-value ratio as of the granting dates of loans outstanding as of the indicated date:

	31 December 2014	31 December 2013
Aggregate loan amount (RMB in millions)		
Real estate collateral	**869.2**	497.3
Equity interest collateral	**467.4**	250.5
Appraised value of collateral at time of loan approval (RMB in millions)		
Real estate collateral	**1,491.7**	933.8
Equity interest collateral	**2,215.3**	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	**4%-46%**	5%-50%
Weighted average appraised loan-to-value ratio		
Loans secured by real estate collateral	**57%**	55%
Loans secured by equity interest collateral	**27%**	30%

5. TOTAL EQUITY AND CAPITAL MANAGEMENT

5.1 Total Equity

Our total equity as at 31 December 2014 was RMB1,500,113 thousand, representing an increase of RMB169,774 thousand or 12.8% as compared with that as at 31 December 2013. The increase was due to: (i) profit attributable to equity holders amounting to RMB165,003 thousand during the Reporting Year, and (ii) employee benefit expenses amounting to RMB4,771 thousand recognised by the Group for the share option scheme as the Group's capital reserves since such expenses did not result in cash outflow from the Group.

5.2 Gearing ratio management

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

Our gearing ratio as at 31 December 2014 was 30% (2013: 22%).

6. BANK BORROWINGS AND PLEDGE OF ASSETS

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bank borrowings — principal	**835,000**	717,000
Bank borrowings — interest payable	**1,509**	1,113
Total	**836,509**	718,113

(i) As at 31 December 2014, the principal of bank borrowings was RMB835,000 thousand, including borrowings of the PRC Operating Entity amounting to RMB300,000 thousand (2013: the principal of bank borrowings was RMB717,000 thousand, including borrowings of the PRC Operating Entity amounting to RMB230,000 thousand). The remaining RMB535,000 thousand 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.

(ii) Bank borrowings are made in the currency of RMB with maturity within one year and bear fixed interest rates ranging from 5.32% to 7.80% per annum during the Reporting Year (2013: 5.70% to 7.80%).

As at 31 December 2014, bank borrowings with principal amount of RMB55 million were secured by the Group's restricted term deposits of US$10,237,149 (equivalent to approximately RMB63 million) (2013: bank borrowings with principal amount of RMB227 million were secured by the Group's restricted term deposits of US$41,999,985 (equivalent to approximately RMB256 million)).

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

7. CAPITAL EXPENDITURE

Our capital expenditure consists primarily of purchases of property, plant and equipment. Our capital expenditure was RMB304 thousand during the Reporting Year (2013: RMB171 thousand).

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

8.1 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 the Global Offering.

8.2 Capital Contributions to the PRC Operating Entity

On 12 February 2014, the approved registered capital of the PRC Operating Entity was increased from RMB500,000 thousand to RMB1,000,000 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. CONTINGENCIES, CONTRACTUAL OBLIGATIONS, LIQUIDITY AND FINANCIAL RESOURCES

9.1 Contingencies

As at 31 December 2014 and 31 December 2013, the Group did not have any significant contingent liabilities.

9.2 Commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. Further details are set out in the paragraph headed "26 Commitments" in the section headed "Notes to the Consolidated Financial Statements".

9.3 Liquidity and Capital Resources

a. Cash Flow Analysis

As at 31 December 2014, the Group's cash and cash equivalents amounted to RMB186,359 thousand, representing a decrease of RMB152,478 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:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net cash (outflow)/inflow from operating activities	**(270,174)**	(818,008)
Net cash (outflow)/inflow from investing activities	**(304)**	(4)
Net cash (outflow)/inflow from financing activities	**118,000**	1,097,768
Increase/(Decrease) in cash and cash equivalents	**(152,478)**	279,756
Cash and cash equivalents at beginning of period	**338,837**	59,081
Cash and cash equivalents at end of period	**186,359**	338,837

Net Cash Flow from Operating Activities

During the Reporting Year, net cash outflow from operating activities amounted to RMB270,174 thousand. Apart from the income from normal operating activities, the reasons accounting for the change in cash flow mainly include: (i) the cash inflow generated from amounts due from the Ultimate Shareholders of RMB500,000 thousand for the year ended 31 December 2013 upon completion of the capital contribution into the PRC Operating Entity during the Reporting Year; and (ii) the cash outflow from the increase in loans granted to customers of RMB780,053 thousand.

Net Cash Flow from Financing Activities

Net cash inflow from financing activities during the Reporting Year amounted to RMB118,000 thousand, which was generated from new bank borrowings.

b. Liquidity Risk

Details of liquidity risk are set out in the paragraph headed "3.4 Liquidity Risk" in the section headed "Notes to the Consolidated Financial Statements".

10. MARKET RISK

Details of market risk are set out in the paragraph headed "3.3 Market Risk" in the section headed "Notes to the Consolidated Financial Statements".

11. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As of 31 December 2014, the Group had a total of 112 full-time employees, a decrease by 6 from 118 as of 31 December 2013. 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.

During the Reporting Year, employee remuneration and benefits increased by RMB10,997 thousand or 82.5% from year 2013 to RMB24,333 thousand. The increase was mainly due to the growth in business, interest income and profit which caused an increase in employee remuneration and benefits amounting to RMB6,226 thousand, and employee remuneration and benefits amounting to RMB4,771 thousand recognised in respect of the share option scheme. The shareholders of the Company approved and adopted a share option scheme on 26 May 2014. On 16 June 2014, the Company granted a total of 50,000,000 share options under the share option scheme.

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

12. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

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

13. EVENTS AFTER REPORTING YEAR

Save as disclosed in this annual report, there is no significant event after 31 December 2014.

PROSPECTS

Looking into 2015, (i) the Group plans to establish two branch pawnshops in Nanjing and Nantong city, respectively, in Jiangsu Province, so as to maintain our leading position as a short-term secured financing service provider in China. For further details of the two branches, please refer to the announcement of the Company dated 20 March 2015; (ii) the Group successfully launched an online financial service platform, namely, Suzhou Qian Dai (www.suzhoumoney.com) in early 2015, which is designed to provide a regulated, safe and reliable online platform for peer-to-peer financial services business. For further details of this new online service platform, please refer to the announcement of the Company dated 17 March 2015; and (iii) we plan to apply the Group's retained earnings for acquisitions of microfinance companies to further expand our customer base and financial solution offering in order to develop the Group into a comprehensive financing service provider. For further details of the proposed acquisition by the Company of equity interests in a microfinance company known as Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd., please refer to the announcement of the Company dated 30 March 2015.

Directors and Chief Executive

DIRECTORS

The Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. CHEN Yannan (陳雁南), aged 64, is the Chairman of our Company and was appointed as an executive Director of the Company on 11 November 2011. Mr. Chen is responsible for convening and presiding over the board meetings regularly and making decisions for the key issues of our Company, such as determining the Company's macroscopic development direction, researching into relevant national policies and avoiding the systemic risks in our industry. Mr. Chen joined our Group as an executive director of the PRC Operating Entity on 8 May 2005 and is responsible for overseeing the operations and making the decisions for the key issues of our Group. Throughout the Track Record Period, the PRC Operating Entity has been managed by Mr. Chen. He has also been a director of Wuzhong Jiaye since 2005. Mr. Chen was a director and the Deputy Chairman of the Board of Wuzhong Group from 1992 to 2003, and since 2003, Mr. Chen has been a director of Wuzhong Group, where his responsibilities include attending board meetings regularly and making decisions for the key issues of Wuzhong Group. He was also the General Manager of Wuzhong Group Sales Co., Ltd. (吳中集團銷售公司) from 1997 to 2004. Mr. Chen has approximately 9 years of experience in the short-term financing industry. Mr. Chen graduated from Changshu Advanced Vocational School of Jiangsu Province (江蘇省常熟高等專科學校) majoring in physical chemistry in July 1975. From 11 March 2004 to 16 April 2010, Mr. Chen was the Chairman of the Board of Supervisors (監事會) of Jiangsu Wuzhong Industrial Co., Ltd. (江蘇吳中實業股份有限公司) a company listed on the Shanghai Stock Exchange (Stock Code: 600200) whose primary business is pharmaceutical and real estate and is not in competition with our Group.

Mr. WU Min (吳敏), aged 46, is the chief executive officer of our Company and was appointed as an executive Director of the Company on 17 May 2012. Mr. Wu is responsible for the day-to-day operations and strategic development of our Company. Upon joining our Group in 26 January 2011, Mr. Wu has been the General Manager of the PRC Operating Entity. He possesses approximately 28 years of experience in commercial banking, finance and management. Mr. Wu worked in various positions in the Suzhou branch of the Industrial and Commercial Bank of China from 1985 to 2011, including being the President and Secretary of the Committee of Communist Party of China of the Wuzhong branch between 2005 and 2011. Mr. Wu graduated from Jiangsu Radio and TV University (江蘇廣播電視大學), majoring in finance, in July 1994; from the Party School of the Central Committee of Communist Party of China Correspondence Institute (中共中央黨校函授學院), majoring in executive management, in December 2001 and from the School of Business of Soochow University (蘇州大學商學院) in October 2003, where he completed a postgraduate course in finance. In November 2000, Mr. Wu obtained the Intermediate Economist qualification (中級經濟師任職資格) issued by the Ministry of Personnel of the PRC (中華人民共和國人事部).

Mr. MAO Zhuchun (毛竹春), aged 41, is our chief financial officer and was appointed as an executive Director of the Company on 17 May 2012. Mr. Mao is responsible for the overall financial management and control and accounting of our Company. In July 2003, Mr. Mao became the manager of the Assets Audit Department of Wuzhong Group. From January 2008 to April 2012, he was the chief financial officer of Wuzhong Group, where his responsibilities include overall financial management and control and accounting system of Wuzhong Group and its then subsidiary, the PRC Operating Entity. Prior to joining Wuzhong Group, Mr. Mao was employed as an assistant lecturer at the Economics and Management Department of Jiangnan University from July 1998. Mr. Mao graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) in July 1997 with a bachelor's degree in finance. Mr. Mao completed the Executive Master of Business Administration (EMBA) programme of Xi'an Jiaotong University with an EMBA degree in June 2013. Mr. Mao has been a member of the Chinese Institute of Certified Public Accountants since December 2001 and received the Senior International Finance Manager qualification on 25 November 2013.

Non-executive Directors

Mr. ZHUO You (卓有), aged 46, was appointed as a non-executive Director of the Company on 17 May 2012. Mr. Zhuo is currently the director and Vice President of Wuzhong Group responsible for the strategic investment and overall management of Wuzhong Group. Mr. Zhuo is also Secretary of the Committee of the Communist Party of Wuzhong Group. He graduated from Suzhou Vocational University (蘇州市職業大學) in July 1990 where he completed a secretarial course. Mr. Zhuo was a reporter and editor of Suzhou Wuxian Radio Station (蘇州吳縣市廣播電台) from August 1990 to February 1995. Since 1995, he has held various positions including the positions of planning director, manager of the administration and management department, office director, assistant general manager and deputy managing director of Wuzhong Group and general manager of Suzhou Taihu Construction Investment Company (蘇州太湖建設投資公司), a subsidiary of Wuzhong Group.

Mr. ZHANG Cheng (張成), aged 32, was appointed as a non-executive Director of the Company on 17 May 2012. Mr. Zhang is responsible for the investor relation of our Company. Mr. Zhang graduated from Nanjing University with a bachelor's degree in economics and a master's degree in western economics in June 2002 and June 2005, respectively. Mr. Zhang was the investment manager of the Strategic Investment Department of Wuzhong Group from July 2005 to February 2006. From February 2006 to February 2008, he served as the assistant general manager of Jiangsu Wuzhong Hi-Tech Venture Capital Co., Ltd (江蘇吳中高科創業投資有限公司), a subsidiary of Wuzhong Group, and from February 2008, he became the deputy general manager and from February 2011, he became the general manager of such company. From February 2010, Mr. Zhang also became the deputy general manager of Suzhou Education Investment Company (蘇州教育投資有限公司), a subsidiary of Wuzhong Group, and from February 2011, became the general manager of such company. During his various positions in Wuzhong Group and the two subsidiaries of Wuzhong Group, Mr. Zhang is responsible for the management and development in relation to investment in the bio-pharmaceutical, information technology areas and private education.

Mr. CAO Jian (曹健), aged 37, was appointed as a non-executive Director of the Company on 17 May 2012. From February 2001, Mr. Cao served as the deputy manager, then the manager of the legal department of Wuzhong Group. From 2009 to now, Mr. Cao has been the chief corporation lawyer of Wuzhong Group, where his responsibilities include participating in the due diligence, negotiation and drafting of legal documents for material corporation business activities and the overall management of legal affairs of Wuzhong Group. Mr. Cao graduated from Xuzhou Normal University (徐州師範大學) with a bachelor's degree in law in June 2000 and obtained his qualifications of the PRC Lawyer and PRC Enterprise Counsel in June 2001 and October 2003, respectively.

Independent Non-executive Directors

Mr. ZHANG Huaqiao (張化橋), aged 51, was appointed as an independent non-executive Director of the Company on 6 October 2013. Mr. Zhang graduated from the Graduate School of the People's Bank of China (中國人民銀行研究生部) with a master's degree in economics in 1986; and from the Australian National University with a master's degree in economics in January 1991. From July 1986 to January 1989, Mr. Zhang was employed at the People's Bank of China in Beijing and from June 1999 to April 2006, Mr. Zhang worked at the Equities Department of UBS AG, Hong Kong Branch at which he first served as the head of the China research team and later became the co-head of the China research team. From March 2006 to September 2008, Mr. Zhang was the chief operating officer of Shenzhen Investment Limited (深圳控股有限公司), a company listed on the Stock Exchange (Stock Code: 0604).

Mr. Zhang currently holds the directorships as follows:

- non-executive director of Boer Power Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1685), since November 2011;
- independent non-executive director of Fosun International Limited, a company listed on the Stock Exchange (Stock Code: 656), since March 2012;
- non-executive director and chairman of the board of China Smartpay Group Holdings Limited (formerly known as Oriental City Group Holdings Limited), a company listed on the Stock Exchange (Stock Code: 8325), since September 2012 and March 2014, respectively;
- independent non-executive director of Zhong An Real Estate Limited, a company listed on the Stock Exchange (Stock Code: 672), since January 2013;
- director of Nanjing Central Emporium (Group) Stocks Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600280), since March 2013;
- independent non-executive director of Logan Property Holdings Company Limited, a company listed on the Stock Exchange (Stock Code: 3380), since November 2013;
- independent non-executive director of Yancoal Australia Limited, a company listed on the Australian Securities Exchange (ASX code: YAL), since April 2014;
- independent non-executive director of Luye Pharma Group Ltd., a company listed on the Stock Exchange (Stock code: 2186), since June 2014;
- independent non-executive director of Wanda Commercial Properties (Group) Co., Limited, a company listed on the Stock Exchange (Stock Code:169), since September 2014; and
- independent non-executive director of Sinopec Yizheng Chemical Fibre Company Limited, a company listed on the Stock Exchange (Stock code: 1033) since February 2015.

In addition, Mr. Zhang held the following directorships in various listed companies in the last 3 years:

- executive director and the chief executive officer of Man Sang International Limited, a company listed on the main board of the Stock Exchange (Stock Code: 938), from September 2011 to April 2012;
- independent non-executive director of Fuguiniao Co., Ltd., a company listed on the Stock Exchange (Stock Code: 1819) from May 2013 to June 2014; and
- independent non-executive director of Ernest Borel Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1856) from June 2014 to November 2014.

Mr. FENG Ke (馮科), aged 43, was appointed as an independent non-executive Director of the Company on 6 October 2013. Mr. Feng graduated from Guangdong University of Finance (廣東金融學院) majoring in international finance in July 1993; from Guangdong Academy of Social Sciences (廣東省社會科學院) with a master's degree in economics in July 1999; and from Peking University School of Economics (北京大學經濟學院) with a doctor's degree in political economics in July 2002. Mr. Feng has been an associate professor at School of Economics of Peking University from 2010. Mr. Feng was the assistant manager of Golden Eagle Asset Management Co., Ltd (金鷹基金管理有限公司) from November 2002 to January 2006.

Mr. Feng currently holds directorships as follows:

- independent director of China Great Wall Computers Shenzhen Co. Ltd (中國長城計算機深圳股份有限公司) (Stock code: 000066), a company listed on the Shenzhen Stock Exchange, since August 2010;
- independent director of Guangdong Provincial Expressway Development Co., Ltd (廣東省高速公路發展股份有限公司) (Stock code: 000429), a company listed on the Shenzhen Stock Exchange, since January 2010;
- independent director of Tande Co., Ltd (天地源股份有限公司) (Stock code: 600665), a company listed on the Shanghai Stock Exchange, since December 2009; and
- independent non-executive director of Asian Capital Resources (Holdings) Limited (亞洲資產(控股)有限公司), a company listed on the Growth Enterprise Market Board of the Stock Exchange (Stock Code: 08025), since October 2008, re-designated as executive director on 1 September 2013.

In addition, Mr. Feng held the following directorships in various listed companies in the last 3 years:

- independent director of Sichuan Guang'an AAA Public Co., Ltd (四川廣安愛眾股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600979), from November 2011 to September 2014; and
- independent director of Beijing CCID Media Investments Co., Ltd. (北京賽迪傳媒投資股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 000504), from December 2013 to December 2014.

Mr. TSE Yat Hong (謝日康), aged 45, was appointed as an independent non-executive Director of the Company on 6 October 2013. Mr. Tse is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. Mr. Tse graduated from Monash University in April 1992 with a bachelor's degree in science. Since June 2000, Mr. Tse has been serving as the chief financial officer of Shenzhen International Holdings Limited (Stock code: 00152), a company listed on the Stock Exchange. From August 2000 to March 2008, Mr. Tse was also the company secretary of Shenzhen International Holdings Limited. Mr. Tse served as the joint company secretary of Shenzhen Expressway Company Limited from September 2004 to September 2007. Prior to that, Mr. Tse worked in the audit profession in one of the international accounting firms for years.

Mr. Tse currently has served as a non-executive director of Shenzhen Expressway Company Limited, a company listed on the Stock Exchange (Stock code: 00548) and the Shanghai Stock Exchange (Stock code: 600548), since January 2009. Mr. Tse had served as an independent non-executive director of Casablanca Group Limited, a company listed on the Stock Exchange (Stock code: 02223), from October 2012 to March 2015.

Save as disclosed in this section, there is no other matters concerning the Company's Directors which are discloseable pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no any material matters concerning the Company's Directors that need to be brought to the attention of the Shareholders.

CHIEF EXECUTIVE

Mr. HE Jiong (賀炅), aged 42, is our joint company secretary of the Company. Mr. He is responsible for disclosure of information relating to the Company. Mr. He obtained his bachelor's degree from Central South Industrial University (中南工業大學), currently known as Central South University (中南大學), in June 1995, majoring in English, and successfully completed the Canadian Securities Course, provided by the CSI Global Education Inc. in 2004. Mr. He joined our Group on 8 March 2010 when he started working as the manager of the risks control department of the PRC Operating Entity. Prior to joining our Group, Mr. He worked in the international business department of the Zengcheng branch of the Guangdong Development Bank (now known as China Guangfa Bank) from July 1995 to December 1998. From October 2001 to May 2006, Mr. He worked in the Royal Bank of Canada, a company listed on the New York Stock Exchange (Stock Code: NYSE:RY) and Canada Stock Exchange (Stock Code: RY.TO), at which his last position was a customer service representative.

Ms. ZHANG Chunhua (張春華), aged 45, is an Assistant to the President of our Group. Ms. Zhang is responsible for the management of financial operations and internal audit of our Company. Ms. Zhang graduated from Jiangsu Radio and Television University (江蘇廣播電視大學) in October 2002, majoring in accounting. Ms. Zhang joined our Group as a financial manager of Wuzhong Jiaye on 8 May 2005. Ms. Zhang later resigned from Wuzhong Jiaye in December 2009, and from January 2010, she was the chief financial officer of the PRC Operating Entity. Prior to joining our Group, Ms. Zhang worked as the financial manager of Suzhou Wuzhong Securities Co. Ltd Suzhou Changzheng Pharmaceutical Factory (江蘇吳中股份有限公司蘇州長征製藥廠) from March 2002 to April 2005.

Mr. LI Qingfeng (李青峰), aged 41, is an Assistant to the President of our Group. Mr. Li is responsible for administration, human resources, information technology and branding and promotion of our Group and possesses more than ten years of experience in administrative management and personnel management practices. He obtained a bachelor's degree in accounting, joint awarded by the Open University of China (中央廣播電視大學) and Beijing Technology and Business University (北京工商大學) in July 2003. Mr. Li joined our Group in 18 April 2005 when he started working as the Office Director of the PRC Operating Entity. Prior to joining our Group, Mr. Li has worked at many different companies including Suzhou Film Circulation and Projection Company (蘇州市電影發行放映公司) where he was the general secretary of the youth league from November 1991 to February 2000; China Ping An Life Insurance Company Ltd., Suzhou branch, where he was the insurance agent from February 2002 to November 2003; and Suzhou Likang Skin Pharmaceutical Development Co., Ltd. (蘇州市力康皮膚藥業發展有限公司), where he was the Office Director and deputy general manager from February 2004 to January 2005.

Mr. CHEN Feng (陳峰), aged 44, is an Assistant to the President of our Group. Mr. Chen is responsible for management and business development of loans secured by personal property. Mr. Chen obtained a master's degree in business administration from Xiamen University in June 2012. From August 1991 to March 2006, he worked in China Construction Bank, Suzhou Wuzhong Branch as an account manager, assistant director, deputy director, director and president successively. Mr. Chen joined the Group in April 2006 as the general manger of our branch company and an assistant to the President of the Group successively.

Ms. CAO Yu (曹瑜), aged 40, is the Chief Risk Officer of our Group. She is responsible for risk control, asset quality and legal issues. Ms. Cao obtained a bachelor's degree in international trading from Peking University in July 1999. From August 1994 to December 2012, she worked in China Industrial and Commercial Bank of China, Suzhou Wuzhong Branch as an employee of the credit management department, account manager, manager of the corporate department, manager and senior credit approver of the Head Office of Industrial and Commercial Bank of China successively. Ms. Cao joined the Group in January 2013 as the general manger of our branch company and an assistant to the President of the Group.

MANAGEMENT CONTINUITY

Our management team is a group of chief executive led by Mr. Chen Yannan, an executive Director and Chairman of the Company, who joined the Group in May 2005. Mr. Chen Yannan was Deputy Chairman of Wuzhong Group when the PRC Operating Entity was established in 1999. He has been an executive director of the PRC Operating Entity since 2005 and, as such, is responsible for overseeing the operations and making the decisions for the key issues of our Group. Mr. Mao Zhuchun has been with Wuzhong Group since July 2003, and became the chief financial officer of Wuzhong Group in January 2008. As such, Mr. Mao Zhuchun has had certain ultimate supervision responsibilities for the PRC Operating Entity, when it was the subsidiary of Wuzhong Group, and is familiar with the management of the Group. Notwithstanding that Mr. Mao Zhuchun was appointed as an executive Director of the Company on 17 May 2012, he is regarded as having been involved with the Group's management throughout the Track Record Period.

Mr. Chen Yannan is ultimately responsible for the management team, being Mr. Wu Min, Mr. Mao Zhuchun, Mr. He Jiong (joined in March 2010), Ms. Zhang Chunhua (joined in May 2005), Mr. Li Qingfeng (joined in April 2005), Mr. Chen Feng (joined in April 2006) and Ms. Cao Yu, (joined in January 2013), the majority of whom had been in place prior to the start of the Track Record Period.

JOINT COMPANY SECRETARIES

Mr. HE Jiong (賀炅), aged 42, was appointed as a joint company secretary of our Company on 6 October 2013. For details regarding Mr. He's experience, please refer to the paragraphs headed "Chief Executive" in this section.

Miss LEUNG Ching Ching (梁晶晶), aged 34, was appointed as a joint company secretary of our Company on 6 October 2013 and serves as a manager of corporate services of Tricor Services Limited. Miss Leung has over 10 years of experience in the company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the main board of the Stock Exchange. Miss Leung is a Chartered Secretary and an Associate of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She graduated from The Chinese University of Hong Kong and received a Master of Arts degree in Professional Accounting and Information System from City University of Hong Kong.

AUDIT COMMITTEE

Our Company established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Tse Yat Hong and Mr. Feng Ke, our independent non-executive Directors and Mr. Zhang Cheng, our non-executive Director. Mr. Tse Yat Hong has been appointed as the chairman of the audit committee, and is our independent non-executive Director processing the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

REMUNERATION COMMITTEE

Our Company established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. Zhang Huaqiao, Mr. Tse Yat Hong, our independent non-executive Directors and Mr. Wu Min, our executive Director. Mr. Zhang Huaqiao has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and chief executive and make recommendations on employee benefit arrangement.

NOMINATION COMMITTEE

Our Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Feng Ke and Mr. Zhang Huaqiao, our independent non-executive Directors, and Mr. Chen Yannan, our executive Director. Mr. Chen Yannan has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to review the composition of the Board of Directors and make recommendations to our Board on the appointment and removal of Directors of our Company.

CHANGE IN DIRECTORS' INFORMATION

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

Mr. Feng Ke, an independent non-executive Director of the Company, has ceased to be an independent director of Sichuan Guang'an AAA Public Co., Ltd (四川廣安愛眾股份有限公司) (Stock code: 600979, a company listed on the Shanghai Stock Exchange) on 29 September 2014 and 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) on 19 December 2014 respectively.

Mr. Zhang Huaqiao, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Sinopec Yizheng Chemical Fibre Company Limited (Stock code: 1033, a company listed on the Stock Exchange) since 9 February 2015, and has ceased to be an independent non-executive director of Ernest Borel Holdings Limited (Stock code: 1856) since 10 November 2014.

Mr. Tse Yat Hong, an independent non-executive Director of the Company, has ceased to be an independent non-executive director of Casablanca Group Limited (Stock code: 02223, a company listed on the Stock Exchange) since 1 April 2015.

COMPENSATION OF DIRECTORS AND CHIEF EXECUTIVE

The aggregate amount of remuneration our Directors (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for the year ended 31 December 2013 and 2014 was approximately RMB1,716 thousand and RMB5,488 thousand, respectively.

During the year ended 31 December 2013 and 2014, five highest paid individuals of the Group included three executive Directors, whose emoluments were deducted from emoluments payable to the five highest paid individuals. Emoluments of the remaining highest paid individuals were RMB630 thousand and RMB1,020 thousand.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 December 2014.

Save as disclosed above, no other payments have been made or are payable in respect of each of the two years ended 31 December 2013 and 2014 by the Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and chief executive in reference to the recommendations from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

The Board of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is the provision of short-term secured financing services in the PRC.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's financial affairs as at that date are set out on pages 56 to 61 of this annual report.

FINAL DIVIDEND

The Board has proposed to declare a final dividend of HK$0.055 per Share in respect of the year ended 31 December 2014 (2013: Nil). The final dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 4 June 2015. Based on the 1,025,237,000 Shares in issue as at the date of this report, the payment of the final dividend is expected to amount to HK$56,388,035, which will be paid on or before Tuesday, 30 June 2015. The retained profit will be primarily used for the Group's business developments and/or acquisitions of suitable business opportunities in the PRC.

Pursuant to the CIT Law,the dividends declared by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China are subject to a 10% withholding tax when remitted abroad. Even though such expenses would not give rise to a present tax obligation of the Group before remitting the dividend abroad, the Group accrued such income tax expenses based on its best estimate.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2015 to Thursday, 28 May 2015 (both dates inclusive) and Wednesday, 3 June 2015 to Thursday, 4 June 2015 (both dates inclusive), during which periods no transfer of Shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 22 May 2015. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming annual general meeting), all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address for registration before 4:30 p.m. on Tuesday, 2 June 2015.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2014 are set out in the consolidated statements of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2014 are set out in Note 21 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 20 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 are set out in Note 24 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out in Page 3 of this annual report.

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 year ended 31 December 2014.

DIRECTORS AND CHIEF EXECUTIVE

The Directors and chief executive of the Company during the year were:

Directors

Name	Position
Mr. Chen Yannan	Executive Director and Chairman of the Board
Mr. Wu Min	Executive Director and Chief Executive Officer
Mr. Mao Zhuchun	Executive Director and Chief Financial Officer
Mr. Zhuo You	Non-executive Director
Mr. Zhang Cheng	Non-executive Director
Mr. Cao Jian	Non-executive Director
Mr. Zhang Huaqiao	Independent Non-executive Director
Mr. Feng Ke	Independent Non-executive Director
Mr. Tse Yat Hong	Independent Non-executive Director

Chief Executive

Name	Position
Mr. He Jiong	Joint Company Secretary
Ms. Zhang Chunhua	Assistant to the President
Mr. Li Qingfeng	Assistant to the President
Mr. Chen Feng	Assistant to the President
Ms. Cao Yu	Chief Risk Officer

The biographical details of the Directors and chief executive of the Company are set out in the section headed "Directors and Chief Executive" in this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual 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 the end of the year or at any time during the year.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely, Mr. Zhang Huaqiao, Mr. Feng Ke and Mr. Tse Yat Hong, the annual confirmation letter of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive Directors have been independent from their respective date of appointment to 31 December 2014 and remain independent as of the date of this annual report.

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

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(1) Long positions in shares of the Company

Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Issued Shares
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%
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 section 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%
	蘇州新區恒悦管理諮詢有限公司 (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%
	蘇州新區恒悦管理諮詢有限公司 (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 31 December 2014, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2014, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares
Xiaolai Investment Co., Ltd	Beneficial owner	Ordinary Shares	260,000,000(L)	25.36%
Xilai Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000(L)	6.34%
Zhu Tianxiao	Interest in controlled corporation	Ordinary Shares	325,000,000(L) *(Note 2)*	31.70%
Baoxiang Investment Co., Ltd	Beneficial owner	Ordinary Shares	84,500,000(L)	8.24%
Zhang Xiangrong	Interest in controlled corporation	Ordinary Shares	84,500,000(L) *(Note 3)*	8.24%
Wonder Capital Co., Ltd	Beneficial owner	Ordinary Shares	71,500,000(L)	6.97%
Ge Jian	Interest in controlled corporation	Ordinary Shares	71,500,000(L) *(Note 4)*	6.97%
Southern Swan Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000(L)	6.34%
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 31 December 2014, no person or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

On 26 May 2014, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The principal terms of the Share Option Scheme, which shall be valid and effective for 10 years from its adoption date, are summarized below.

Purpose

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.

Eligible participants

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.

Total number of Shares available for issue under the Share Option Scheme

(a) 10% limit

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total issued Shares as at the date of adoption of the Share Option Scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and any share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the Shareholders in general meeting, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the refreshed limit.

The Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit to any eligible persons specifically identified by the Board.

(b) 30% limit

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the Shares of the Company in issue from time to time.

Maximum entitlement of each eligible person

No Options shall be granted to any eligible person under the Share Option Scheme which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Any further grant of options to an eligible person in excess of the 1% limit as mentioned above shall be subject to the approval of the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) abstaining from voting.

Exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall be not less than the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;

(b) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the 5 trading days immediately preceding the date of offer of grant; and

(c) the nominal value of the Shares.

Performance targets and minimum period for which an option must be held

The Board may, when making an offer of the grant of an option, impose and specify in the offer letter any terms and conditions as it may at its absolute discretion think fit, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to achieved by an option-holder before the option can be exercised.

Amount payable upon acceptance of option

HK$1.00 is payable by each eligible person to the Company on acceptance of an offer of option.

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

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

Name or category of participants	No. of Shares involved in the options outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	No. of Shares involved in the options outstanding as at 31 December 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
Zhang Cheng	—	1,000,000	—	—	1,000,000
Cao Jian	—	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	—	—	50,000,000

Notes:

1. The closing price of the Shares preceding the date on which the share options were granted was HK$1.41.

2. The vesting of all share options granted to the eligible persons is conditional upon the achievement of certain performance targets by the relevant individual grantees and/or the Group as set out in their respective offer letters.

3. The fair value of the share options granted during the year is set out in note 21 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS

For the year ended 31 December 2014, the five largest customers contributed, in aggregate, 33.6% of the Group's total interest income from loans to customers. The interest income from the single largest customer contributed 9.9% of the Group's total interest income from loans to customers for the same period.

None of the Directors, any of their close associates or any Shareholders which, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest customers of the Group during the year ended 31 December 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014.

EMOLUMENT POLICY

The Company is well aware of the importance of incentivising and retaining its employees. The Group offers competitive remuneration packages to its employees and makes contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing fund for its employees. The Remuneration Committee is set up for reviewing the Group's emolument policy and remuneration package of the Directors and chief executive of the Group, having regard to the Group's overall operating results, individual performance and comparable market practices.

The details of the emoluments payable to the Directors during the year are set out in Note 10 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the details of the emoluments payable to the members of the senior management during the year fell within the following bands:

Remuneration bands	**Number of individuals**
HK$ 0 to 1,000,000	2

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 9 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, other reserves and retained earnings amounted to approximately RMB1,492,002 thousand.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2014 are set out in Note 23 to the consolidated financial statements.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Other than as disclosed above, during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors to have any right to subscribe for securities of the Company or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors or their respective close associates had interests in businesses which compete or are likely to compete either directly or indirectly with the businesses of the Group as are required to be disclosed pursuant to the Listing Rules.

NON-COMPETITION UNDERTAKING

Each of Mr. Zhu Tianxiao, Xilai Investment Co., Ltd and Xiaolai Investment Co. Ltd. (the "**Covenantors**"), each being a controlling shareholder of the Company, has entered into a deed of non-competition (the "**Deed of Non-Competition**") in favour of the Company on 6 October 2013, pursuant to which each of the Covenantors has unconditionally, irrevocably and severally undertaken with the Group that they shall not, and shall procure that their respective members shall not, (except through the Group) directly or indirectly carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group. For details of the Deed of Non-Competition, please refer to the Prospectus.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition. The independent non-executive Directors have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Reference is made to the Prospectus. The short-term secured financing business in which the Group is engaging is a regulated business in the PRC and according to the relevant governmental policy. The Company, as a foreign investor, would not be granted the necessary approval to conduct and invest in the pawn loan business in the PRC. As a result, the Group, through an indirect wholly-owned subsidiary of the Company, Huifang Tongda, has entered into a series of contractual arrangements (the "**Contractual Arrangements**") with the PRC Operating Entity, which possess the necessary licences for the operation of the Group's short-term secured financing business in the PRC, such that the Group can conduct its business operations indirectly in the PRC through the PRC Operating Entity while complying with applicable PRC laws and regulations. The Contractual Arrangements are designed to provide the Group with effective control over the financial and operational policies of the PRC Operating Entity and, to the extent permitted by the PRC laws and regulations, the right to acquire the equity interests in and/or the assets of the PRC Operating Entity. Further, pursuant to the Contractual Arrangements, all economic benefits derived from the operation of the PRC Operating Entity are enjoyed by the Group and the financial results of the PRC Operating Entity are consolidated into the Group as if it were a wholly-owned subsidiary.

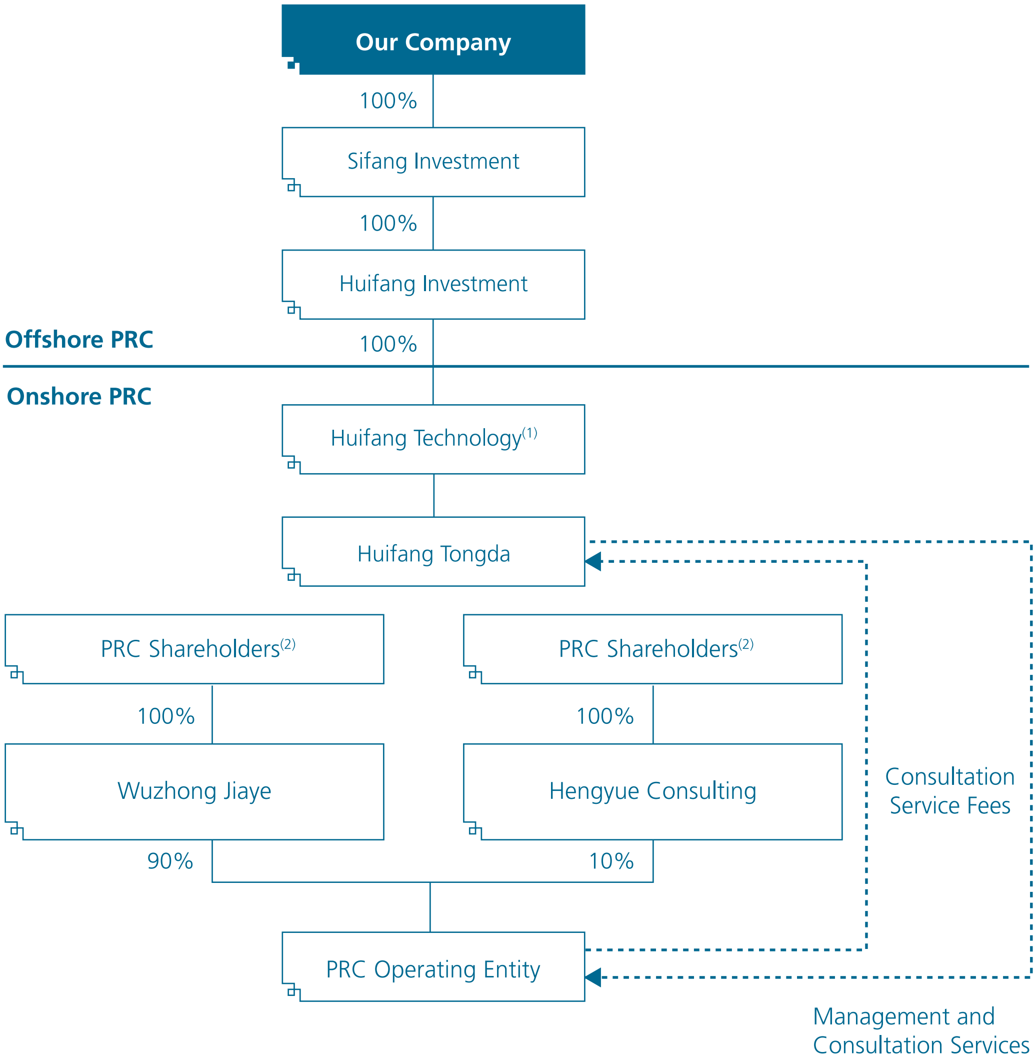
The Contractual Arrangements currently in effect comprise the following agreements, namely (a) the Exclusive Management and Consultation Service Agreement (as supplemented by the Supplemental Agreement to the Exclusive Management and Consultation Service Agreement), (b) the Exclusive Call Option Agreement, (c) the Proxy Agreement, (d) the Equity Pledge Agreement (as amended by the amended Equity Pledge Agreement), (e) the VIE Transfer Agreement, and (f) the PRC Shareholders Loan Agreement, which were entered into between, among others, the PRC Operating Entity, Huifang Tongda, Mr. Zhu Tianxiao ("**Mr. Zhu**"), Mr. Chen Yannan ("**Mr. Chen**") and/or Mr. Zhuo You ("**Mr. Zhuo**") (as the case may be). A summary of the aforementioned agreements are set out below.

Mr. Zhu, through two companies wholly owned by him, namely Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd, holds approximately 31.7% of equity interest in the Company and accordingly, he is a controlling shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Mr. Chen and Mr. Zhuo, both being Directors, are also connected person of the Company under Rule 14A.07(1) of the Listing Rules.

The PRC Operating Entity is owned indirectly as to 50% by Mr. Zhu and therefore, is an associate of Mr. Zhu. As a result, the PRC Operating Entity is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. In addition, Mr. Zhu, Mr. Chen and Mr. Zhuo are parties to some agreements under the Contractual Arrangements. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing.

CONTRACTUAL ARRANGEMENTS

The following diagram sets out the simplified structure of the Group as of 31 December 2014 and illustrates the Contractual Arrangements between the PRC Operating Entity and Huifang Tongda:



Notes:

(1) The former name is Suzhou Huifang Management Consulting Co., Ltd. (蘇州匯方管理諮詢有限公司) and the change of name was effected on 12 December 2013.

(2) The PRC Shareholders are Mr. Zhu (50%), Zhang Xiangrong (13%), Ge Jian (11%), Mr. Chen (10%), Wei Xingfa (4%), Yang Wuguang (6%) and Mr. Zhuo (6%).

Summary of the agreements under the Contractual Arrangements:

(a) Exclusive Management and Consultation Service Agreement

On 31 December 2011, Huifang Technology and the PRC Operating Entity entered into an exclusive management and consultation service agreement, as subsequently supplemented by the Supplemental Agreement (as defined below) (the "**Exclusive Management and Consultation Service Agreement**"), pursuant to which the PRC Operating Entity has agreed to engage Huifang Technology on an exclusive basis to provide consultation and other ancillary services, including without limitation enterprise management, market development and consultancy services. Pursuant to the Exclusive Management and Consultation Service Agreement, the PRC Operating Entity may not, among other restrictions or obligations, engage any other third party to provide similar services without the prior written consent of Huifang Technology.

In consideration for the provision of such services by Huifang Technology, the PRC Operating Entity has agreed to recognise consultation service fees payable to Huifang Technology on a quarterly basis. The consultation service fees will be billed by Huifang Technology to the PRC Operating Entity and are equivalent to the total revenue before tax audited pursuant to the Hong Kong Financial Reporting Standards less all the related costs incurred and reasonable expenses of the PRC Operating Entity.

The term of the Exclusive Management and Consultation Service Agreement commenced on 31 December 2011 and will expire on 30 December 2031 and is renewable at the sole election of Huifang Technology for successive terms as determined by Huifang Technology, until termination by Huifang Technology.

On 29 February 2012, Huifang Technology transferred all its rights and obligations under the Exclusive Management and Consultation Service Agreement to Huifang Tongda, in accordance with the VIE Transfer Agreement as described in sub-paragraph (e) below.

On 21 November 2012, Huifang Tongda and the PRC Operating Entity entered into a supplemental agreement to the Exclusive Management and Consultation Service Agreement (the "**Supplemental Agreement**"). Pursuant to the Supplemental Agreement, the consultation service fees, as the consideration for the provision of the service by Huifang Tongda, shall be equivalent to the total revenue before tax less all the related costs and expenses reasonably incurred by the PRC Operating Entity, provided that, Huifang Tongda may decide, for the purpose of operations and business expansion of the PRC Operating Entity, the actual amount of the service fees. The Supplemental Agreement is deemed to have retrospectively become effective on 1 July 2012. The Supplemental Agreement was entered into for the purpose of maintaining a certain level of net assets and net profits for the PRC Operating Entity, which will affect the amount of loans the PRC Operating Entity can grant and its ability to open a branch pursuant to the applicable regulations of the PRC, and to grant Huifang Tongda a right to decide the amount of the service fees charged on the PRC Operating Entity according to the PRC Operating Entity's operational needs and future business expansion. Pursuant to the Supplemental Agreement, it is Huifang Tongda's right to decide whether to change the amount of the service fees charged on the PRC Operating Entity, and pursuant to the Exclusive Call Option Agreement (as defined hereinafter), Huifang Tongda has been irrevocably and unconditionally granted an option to acquire the entire equity interest in the PRC Operating Entity and/or all assets of the PRC Operating Entity. Any profits not paid to Huifang Tongda in the form of consultation service fees may be acquired by Huifang Tongda when it exercises its option under the Exclusive Call Option Agreement. As a result, our ability to receive the entire economic benefits of the PRC Operating Entity as provided by the Contractual Arrangements is not affected by the Supplemental Agreement.

(b) Exclusive Call Option Agreement

On 31 December 2011, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into an exclusive call option agreement (the "**Exclusive Call Option Agreement**") pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Technology an option to acquire, directly and/or through one or more nominees, the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the PRC Operating Entity and/or all assets of the PRC Operating Entity at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations. If the PRC laws and regulations are silent in this regard, the price will be set at the nominal price agreed by the parties thereto. The PRC Operating Entity and the PRC Shareholders also agreed to the option granted to Huifang Technology. Subject to compliance with applicable PRC laws and regulations, Huifang Technology may exercise the option at any time, and acquire all or part of the equity interests and/or assets of the PRC Operating Entity in any manner in its sole discretion. In addition, Huifang Technology has undertaken to exercise the option and unwind the Contractual Arrangements as soon as applicable PRC laws and regulations allow our short-term secured financing business to be directly operated by Huifang Technology in China.

Pursuant to the Exclusive Call Option Agreement, the PRC Operating Entity may not, without the prior written consent of Huifang Technology, declare or distribute any dividends to its shareholders. Wuzhong Jiaye and Hengyue Consulting shall procure the PRC Operating Entity and the PRC Shareholders shall procure Wuzhong Jiaye and Hengyue Consulting, not to declare or distribute such dividends. In addition, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders have undertaken to assign or transfer to Huifang Technology and/or to one or more nominees any and all of dividend declared and distributed at any time or any interest payable to them by virtue of their holding of the equity interest in the PRC Operating Entity. Furthermore, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders have undertaken to assign or transfer to Huifang Technology and/or to one or more nominees any and all of proceeds or consideration received from the sales or disposal of the equity interest held in the PRC Operating Entity, and all of any appropriation of assets upon termination or liquidation of the PRC Operating Entity.

The Exclusive Call Option Agreement became effective on 31 December 2011 and will expire on the date on which all the equity interests or assets of the PRC Operating Entity are transferred to Huifang Technology and/or one or more nominees as contemplated under the Exclusive Call Option Agreement.

(c) Proxy Agreement

On 31 December 2011, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a proxy agreement (the "**Proxy Agreement**") whereby Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally undertook to authorise Huifang Technology or the directors and their associates as authorised by Huifang Technology to exercise their shareholders' rights under the articles of association of the PRC Operating Entity and applicable PRC laws and regulations. Such shareholders' rights include but are not limited to (i) convening and attending the shareholders' meetings of the PRC Operating Entity pursuant to its articles of association; (ii) exercising voting rights on all matters requiring shareholders' consideration and approval, including but not limited to the nomination and removal of all the directors and/or chief executive members of the PRC Operating Entity whose appointment and removal is to be determined by the shareholders; (iii) passing resolutions on the disposal of the assets of the PRC Operating Entity; (iv) passing resolutions on the dissolution and liquidation of the PRC Operating Entity, forming a Liquidation Committee and exercising the rights and powers of the Committee, including but not limited to dealing with the assets of the PRC Operating Entity; (v) signing any and all shareholders resolutions; (vi) filing all the relevant documents with the relevant companies registry; and (vii) all other shareholders' voting rights under the articles of association of the PRC Operating Entity and/or applicable PRC laws and regulations.

Pursuant to the Proxy Agreement, Huifang Technology may exercise such shareholders' rights without the prior consultation with Wuzhong Jiaye, Hengyue Consulting or the PRC Shareholders. Wuzhong Jiaye, Hengyue Consulting as well as the PRC Shareholders shall not exercise such shareholders' rights without the prior written consent of Huifang Technology.

The Proxy Agreement became effective on 31 December 2011 and will expire on 30 December 2031 and is renewable at the election of Huifang Technology for successive terms as determined by Huifang Technology. The Proxy Agreement will expire upon the termination by Huifang Technology or until the date on which all the equity interest in the PRC Operating Entity are transferred to Huifang Technology and/or its nominees as contemplated under the Exclusive Call Option Agreement.

(d) Equity Pledge Agreement

On 31 December 2011, Huifang Technology and the PRC Shareholders entered into an equity pledge agreement with Wuzhong Jiaye and Hengyue Consulting, respectively, as subsequently amended as described below (collectively, the "**Equity Pledge Agreement**"), pursuant to which the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Technology for guaranteeing the performance of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement and the Proxy Agreement.

Pursuant to the Equity Pledge Agreement, Huifang Technology is entitled to exercise its rights to sell all or part of the pledged equity interests in Wuzhong Jiaye and Hengyue Consulting upon the non-performance or breach of any of the terms of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and/or the Equity Pledge Agreement. In addition, the PRC Shareholders shall not pledge their respective equity interests in Wuzhong Jiaye and Hengyue Consulting in favour of or to other third parties without the prior written consent of Huifang Technology.

The Equity Pledge Agreement became effective on the date of its execution by all relevant parties (subject to the registrations of the pledge in the register of members of the PRC Operating Entity which have been completed) and shall terminate upon the performance by the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be) in full of all obligations under the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement, the Equity Pledge Agreement or the repayment of all losses arising from the breach of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and the Equity Pledge Agreement.

On 29 February 2012, Huifang Technology transferred all its rights and obligations under the Equity Pledge Agreement to Huifang Tongda in accordance with the VIE Transfer Agreement as described in sub-paragraph (e) below for further information of the VIE Transfer Agreement.

On 22 May 2013, Huifang Tongda, as the transferee of all the rights and obligations of Huifang Technology under the Equity Pledge Agreement, amended the Equity Pledge Agreement with the PRC Shareholders and each of Wuzhong Jiaye and Hengyue Consulting respectively. Pursuant to the amended Equity Pledge Agreement, the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda as a guarantee to the performance of the PRC Shareholders Loan Agreement (as defined hereinafter), in addition to the performance of the Exclusive Management and Consultation Service Agreement (as described in details above), in addition to the Exclusive Call Option Agreement and the Proxy Agreement which was covered by the Equity Pledge Agreement entered into on 31 December 2011 and transferred to Huifang Tongda on 29 February 2012 as described in the immediate preceding paragraph.

Pursuant to the amended Equity Pledge Agreement, Huifang Tongda is entitled to exercise its rights to sell all or part of the pledged equity interests in Wuzhong Jiaye and Hengyue Consulting upon the non-performance or breach of any of the terms of the Exclusive Management and Consultation Service Agreement (as supplemented), the Exclusive Call Option Agreement, the Proxy Agreement, the PRC Shareholders Loan Agreement, and the amended Equity Pledge Agreement. In addition, the PRC Shareholders shall not pledge their respective equity interests in Wuzhong Jiaye and Hengyue Consulting in favour of or to other third parties without the prior written consent of Huifang Tongda.

The amended Equity Pledge Agreement became effective on 22 May 2013 upon execution by all relevant parties and the completion of the registrations of the pledge in the register of members of the PRC Operating Entity which have been completed, and shall terminate upon the performance of all obligation in full or the repayment of all losses arising from the breach by the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be) under the Exclusive Management and Consultation Service Agreement (as supplemented), the Exclusive Call Option Agreement, the Proxy Agreement, the PRC Shareholders Loan Agreement, and the amended Equity Pledge Agreement.

In addition, as the shareholders of the PRC Operating Entity, Wuzhong Jiaye and Hengyue Consulting amended the articles of association of the PRC Operating Entity on 31 December 2011. According to the articles of association currently in effect, no shareholder may pledge any of its equity interest in the PRC Operating Entity to any party.

(e) VIE Transfer Agreement

On 29 February 2012, Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a transfer agreement of structural contracts (the "**VIE Transfer Agreement**") pursuant to which Huifang Technology has agreed to transfer all of its rights and obligations under the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and the Equity Pledge Agreement to Huifang Tongda. Accordingly, on the same date, Huifang Tongda entered into relevant new agreements with the respective parties to effectuate such transfer. The VIE Transfer Agreement and such new agreements became effective on 29 February 2012. After the transfer, Huifang Technology became an investment holding company with no substantive businesses and may serve as a platform for the Company to expand into various new business sectors.

(f) PRC Shareholders Loan Agreement

On 22 May 2013 Huifang Tongda, PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a loan agreement (the "**PRC Shareholders Loan Agreement**"), pursuant to which Huifang Tongda agreed to extend interest-free loans equivalent to an amount to be injected as registered capital into the PRC Operating Entity (the "**Capital Contribution Amount**") to the PRC Shareholders in accordance with the PRC laws and regulations. The PRC Shareholders will contribute the full amount of the Capital Contribution Amount to the registered capital of Wuzhong Jiaye and Hengyue Consulting, which will in turn contribute such loan proceeds to the PRC Operating Entity as registered capital. Under the PRC Shareholders Loan Agreement, Huifang Tongda may request, at any time in its absolute discretion and to the extent permitted by the PRC laws and regulations, the PRC Shareholders to repay the loan (i) by using the capital realized from Huifang Tongda's exercise of its rights under the Exclusive Call Option Agreement to purchase from Wuzhong Jiaye and Hengyue Consulting, the entire equity interests in the PRC Operating Entity and/or all assets of the PRC Operating Entity, followed with a capital reduction of Wuzhong Jiaye and Hengyue Consulting (as well as PRC Operating Entity, as applicable); or (ii) any other means as permitted by applicable PRC laws and regulations.

A waiver has been granted by the Stock Exchange regarding strict compliance with (i) the applicable disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in relation to the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting a maximum aggregate annual value (i.e. annual cap) for the fees payable to Huifang Tongda under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the shares of the Company are listed on the Stock Exchange, subject to certain conditions as set out in the Prospectus. In addition, pursuant to the waiver granted by the Stock Exchange, the framework of the Contractual Arrangements may be renewed and/or cloned upon the expiry of the existing arrangements or, in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) that the Group might wish to establish, without obtaining the approval of the independent non-executive Directors and the independent Shareholders, on substantially the same terms and conditions as the Contractual Arrangements.

The independent non-executive Directors of the Company have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that the revenue generated by the PRC Operating Entity has been substantially retained by Huifang Tongda; (ii) no dividends or other distributions have been made by the PRC Operating Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the existing Contractual Arrangements from the Listing Date till the end of the year.

Further, the Board has engaged the auditor of the Company to report on the Group's continuing connected transaction. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Listing Rule 14A.56 of the Listing Rules and confirmed that (i) nothing has come to their attention that causes them to believe that the continuing connected transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2014 (a) have not received the approval of the Board and (b) were not entered into, in all material respects, in accordance with the relevant Contractual Arrangements; and (ii) no dividends or other distributions have been made by the PRC Operating Subsidiary to its shareholders during the year ended 31 December 2014.

A copy of the auditor's letter on the continuing connected transactions of the Group year ended 31 December 2014 has been provided by the Company to the Stock Exchange.

Save for the continuing connected transactions disclosed above and certain other connected transactions and continuing connected transactions which are exempted from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, during the Reporting Year, there were no other transactions which constituted connected transaction or continuing connected transactions that were subject to the reporting requirements under the Listing Rules.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

AUDITORS

The consolidated financial statements have been audited and agreed by PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for reappointment.

By order of the Board

Chen Yannan
Chairman

Hong Kong, 30 March 2015

Corporate Governance Report

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2014 (the "**Reporting Year**").

CORPORATE GOVERNANCE PRACTICES

The Board of the Company has 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 throughout the Reporting Year.

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 throughout the Reporting Year.

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

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

Board Composition

The Board of the Company comprises the following 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. ZHANG Cheng
Mr. CAO Jian

Independent Non-executive Directors:
Mr. ZHANG Huaqiao
Mr. FENG Ke
Mr. TSE Yat Hong

The biographical information of the Directors are set out in the section headed "Directors and Chief Executive" on pages 19 to 26 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Chen Yannan and Mr. Wu Min respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the Reporting Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Non-executive Directors and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than two months' written notice served by either the executive Directors or the Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

In accordance with Article 84(1) and (2) of the Articles of Association, one-third of the Directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but no less than one-third) shall retire from office at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. Any Directors so to retire shall be those subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected as Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. In accordance with Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Zhang Huaqiao, Mr. Tse Yat Hong and Mr. Feng Ke will retire and they being eligible, will offer themselves for re-election at the forthcoming 2015 annual general meeting.

None of Mr. Zhang Huaqiao, Mr. Tse Yat Hong and Mr. Feng Ke has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and chief executive. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG code on continuous professional development during the Reporting Year:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Name of Director	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
CHEN Yannan	✓		✓	
WU Min	✓	✓	✓	
MAO Zhuchun		✓	✓	
Non-executive Directors				
ZHUO You	✓		✓	
ZHANG Cheng	✓		✓	
CAO Jian	✓		✓	
Independent Non-executive Directors				
ZHANG Huaqiao	✓		✓	
FENG Ke	✓		✓	
TSE Yat Hong	✓	✓	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of these Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of the Audit Committee, Remuneration Committee and Nomination Committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Year, the Audit Committee held five meetings for reviewing the annual and interim financial results and reports in respect of the year ended 31 December 2013 and the interim period ended 30 June 2014 as well as the significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise, in confidence, concerns about possible improprieties.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive directors, the remuneration policy and structure for all Directors; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee met once during the Reporting Year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Board has adopted a set of procedures for nomination of Directors and policy concerning diversity of Board members on 23 December 2014.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives (where appropriate) for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships of the Company, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Year, the Nomination Committee met once for reviewing the nomination procedures and structure of the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and chief executive, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in the corporate governance report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the Reporting Year, the Company held five Board meetings, five Audit Committee meetings, one Nomination Committee meeting, one Remuneration Committee meeting and one annual general meeting.

The attendance record of each Director at the Board and Board committee meetings of the Company held during the Reporting Year is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
CHEN Yannan *(Chairman)*	5/5			1/1	1/1
WU Min	5/5		1/1		1/1
MAO Zhuchun	5/5				1/1
ZHUO You	5/5				1/1
ZHANG Cheng	5/5	5/5			0/1
CAO Jian	5/5				1/1
ZHANG Huaqiao	5/5		1/1	1/1	1/1
FENG Ke	5/5	5/5		1/1	0/1
TSE Yat Hong	5/5	5/5	1/1		1/1

Apart from regular Board meetings, the Chairman also held one meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the Reporting Year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 54 to 55.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2014 amounted to RMB2,178 thousand and RMB20 thousand respectively.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such system on an annual basis. The Board is committed to conducting the review of the effectiveness of the internal control system of the Company regularly.

The chief executive shall review and evaluate the internal control processes, monitor any risk factors on a regular basis, and report to the Audit Committee on any findings and measures to address the deficiencies and identified risks.

We have engaged an internal control consultant to assist the Board to perform high-level review of the Company's internal control system for selected internal control procedures over financial reporting, which included certain underlying controls over loan operations, collateral underlying defaulted loans, fixed assets, payroll and benefits, cash and bank management procedures, IT general controls and company level controls.

COMPANY SECRETARY

Miss Leung Ching Ching of Tricor Services Limited, an external service provider, has been engaged by the Company as joint company secretary to act jointly with Mr. He Jiong. The primary contact person at the Company is Mr. He Jiong, joint company secretary of the Company.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder's interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholder meetings, including the election of individual directors. Pursuant to the Listing Rules, all resolutions put forward at Shareholders' meetings will be voted on by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders' meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Company's Articles of Association, an extraordinary general meeting may be convened by the Board upon requisition of one or more Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of the deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, while all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisitionist(s) must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or the secretary or the primary contact person of the Company.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward proposal at general meetings may deposit a requisition for convening an extraordinary general meeting following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Primary Contact Person

Shareholders may send their requisitions, proposed resolutions for the general meeting or enquiries to the Board as mentioned above to the primary contact person of the Company as set out below:

Name:	Chen Yannan (陳雁南)
Address:	101 Dongwu North Road, Suzhou, Jiangsu Province, the PRC
Fax:	86–512–65131585

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board as well as chairman of Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

During the Reporting Year, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at http://www.cnhuirong.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

GOING CONCERN

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

羅兵咸永道

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

We have audited the consolidated financial statements of China Huirong Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Pricewaterhouse Coopers
Certified Public Accountants

Hong Kong, 30 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

		Year ended 31 December	
		2014	2013
	Note	RMB'000	RMB'000
Interest income	*6*	388,832	236,664
Interest expense	*7*	(52,866)	(18,391)
Net interest income		335,966	218,273
Other operating income, net		1	470
Net revenue		335,967	218,743
Administrative expenses	*8*	(72,769)	(47,537)
Net charge of impairment allowance on loans to customers	*18(c)*	(35,919)	(854)
Other gains/(losses), net	*11*	4,094	(920)
Profit before income tax		231,373	169,432
Income tax expense	*12*	(66,370)	(42,701)
Profit for the year, attributable to the equity holders of the Company		165,003	126,731
Other comprehensive income for the year, net of tax		—	—
Total comprehensive income for the year, attributable to the equity holders of the Company		165,003	126,731
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
— Basic and diluted earnings per share	*13*	0.16	0.18
Dividends	*14*	44,483	—

The notes on pages 62 to 115 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**1,715**	2,566
Intangible assets		**285**	321
Deferred income tax assets	*16*	**10,139**	1,721
		12,139	4,608
Current assets			
Other assets	*17*	**17,842**	3,379
Loans to customers	*18*	**1,494,248**	750,114
Amounts due from related parties	*27(c)*	**—**	500,000
Cash at bank and on hand	*19*	**855,975**	816,845
		2,368,065	2,070,338
Total assets		**2,380,204**	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*	**556,713**	534,365
Retained earnings			
— Proposed final dividend	*14*	**44,483**	—
— Others		**298,086**	195,143
Total equity		**1,500,113**	1,330,339

Consolidated Statement of Financial Position (Continued)

As at 31 December 2014

(All amounts in RMB thousands unless otherwise stated)

		As at 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
Liabilities			
Current liabilities			
Other liabilities	*22*	**16,228**	14,074
Current income tax liabilities		**21,519**	9,838
Deferred income tax liabilities	*16*	**5,202**	—
Amounts due to related parties	*27(c)*	**633**	2,582
Bank borrowings	*23*	**836,509**	718,113
Total liabilities		**880,091**	744,607
Total equity and liabilities		**2,380,204**	2,074,946
Net current assets		**1,487,974**	1,325,731
Total assets less current liabilities		**1,500,113**	1,330,339

The notes on pages 62 to 115 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 30 March 2015 and were signed on its behalf.

Chen, Yannan
Director

Wu, Min
Director

Statement of Financial Position of the Company

As at 31 December 2014

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*24*	**360,455**	357,492
		360,455	357,492
Current assets			
Amounts due from related parties	*27(c)*	**588,055**	589,126
Cash at bank and on hand	*19*	**796**	10,946
		588,851	600,072
Total assets		**949,306**	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*	**362,263**	357,492
Accumulated losses		**(23,176)**	(14,807)
Total equity		**939,918**	943,516
Liabilities			
Current liabilities			
Other liabilities	*22*	**685**	5,841
Amounts due to related parties	*27(c)*	**8,703**	8,207
Total liabilities		**9,388**	14,048
Total equity and liabilities		**949,306**	957,564
Net current assets		**579,463**	586,024
Total assets less current liabilities		**939,918**	943,516

The notes on pages 62 to 115 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 30 March 2015 and were signed on its behalf

Chen, Yannan
Director

Wu, Min
Director

Consolidated Statements of Changes in Equity

For the year ended 31 December 2014
(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
As at 1 January 2014		**8,111**	**592,720**	**534,365**	**195,143**	**1,330,339**
Comprehensive income						
Profit for the year		**—**	**—**	**—**	**165,003**	**165,003**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the year		**—**	**—**	**—**	**165,003**	**165,003**
Appropriation to statutory reserves	21(a)	**—**	**—**	**17,577**	**(17,577)**	**—**
Value of employee services	21(b)	**—**	**—**	**4,771**	**—**	**4,771**
Total transactions with owners, recognised directly in equity		**—**	**—**	**22,348**	**(17,577)**	**4,771**
As at 31 December 2014		**8,111**	**592,720**	**556,713**	**342,569**	**1,500,113**
As at 1 January 2013		63	—	521,400	81,377	602,840
Comprehensive income						
Profit for the year		—	—	—	126,731	126,731
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year		—	—	—	126,731	126,731
Appropriation to statutory reserves		—	—	12,965	(12,965)	—
Issuance of ordinary shares		8,048	592,720	—	—	600,768
Total transactions with owners, recognised directly in equity		8,048	592,720	12,965	(12,965)	600,768
As at 31 December 2013		8,111	592,720	534,365	195,143	1,330,339

The notes on pages 62 to 115 are an integral part of these financial statements.

Consolidated Statements of Cash Flow

For the year ended 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before income tax		231,373	169,432
Adjustments for:			
Interest expense	7	52,866	18,391
Net charge of impairment allowance on loans to customers	18(c)	35,919	854
Depreciation and amortisation	8	1,191	1,472
Gain on disposal of investment properties and property, plant and equipment		—	(91)
Share-based payments		4,771	—
		326,120	190,058
Change in operating assets and liabilities:			
— Other assets		(22,881)	8,940
— Loans to customers		(780,053)	(61,562)
— Term deposits with banks		(191,608)	(378,008)
— Other liabilities		2,154	(2)
— Amounts due from related parties	27(c)	500,000	(500,000)
— Amounts due to related parties	27(c)	(1,949)	(13,786)
Cash used in operations		(168,217)	(754,360)
Interest paid		52,470	(17,779)
Income tax paid		(49,487)	(45,869)
Net cash outflow from operating activities		(270,174)	(818,008)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		—	167
Purchases of property, plant and equipment	15	(304)	(171)
Net cash outflow from investing activities		(304)	(4)
Cash flows from financing activities			
Proceeds from bank borrowings		1,395,000	1,337,000
Repayments of bank borrowings		(1,277,000)	(840,000)
Proceeds from issuance of ordinary shares		—	600,768
Net cash inflow from financing activities		118,000	1,097,768
Net (decrease)/increase in cash and cash equivalents		(152,478)	279,756
Cash and cash equivalents at beginning of year		338,837	59,081
Cash and cash equivalents at end of year	19	186,359	338,837

The notes on pages 62 to 115 are an integral part of these financial statements.

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 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group 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. Upon the Restructuring, the financial statements of the Group have been prepared on a consolidated basis and are presented using the carrying values of the assets, liabilities and operating results of the companies comprising the Group including Wuzhong Pawnshop.

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

These consolidated financial statements set out on pages 56 to 61 have been approved and authorised for issue by the board of directors (the "Board") of the Company on 30 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of 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 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 interest and principal upon maturity; and (c) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in operational performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 23.

2.1.2 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

HKAS 32 (Amendment)	Offsetting Financial Instruments: Presentation, on Assets and Liabilities
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount Disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Novation of Derivatives
HK(IFRIC) 21	Levies

The adoption of the above new standards, amendments, interpretations as well as other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 did not give rise to any material impact on the Group's results of operations and financial position for the year ended 31 December 2014.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted by the Group

The following standards, amendments and interpretations have been issued but not effective and have not yet been early adopted by the Group for the year ended 31 December 2014:

Standards	Key requirements	Effective from financial years starting on or after
Annual improvements 2012	These amendments include changes from the 2010–2012 cycle of the annual improvements project, that affect the below standards: • HKFRS 8, "Operating segments" • HKAS16, "Property, plant and equipment" and • HKAS 38, "Intangible assets" • HKAS 24, "Related Party Disclosures"	1 July 2014
Annual improvements 2013	The amendments include changes from the 2011–2013 cycle of the annual improvements project that affect 4 standards: • HKFRS 3, "Business combinations" • HKFRS13, "Fair value measurement" • HKAS 40, "Investment property"	1 July 2014
HKFRS 14	HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. HKFRS 14 permits eligible first-time adopters of HKFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. HKFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.	1 January 2016

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted by the Group (Continued)

Standards	Key requirements	Effective from financial years starting on or after
HKFRS 11 (Amendment)	The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in HKFRS 3, Business combinations. Specifically, an investor will need to: • measure identifiable assets and liabilities at fair value; • expense acquisition-related costs; • recognise deferred tax; and • recognise the residual as goodwill. All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances: • where the intangible asset is expressed as a measure of revenue; or • where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.	1 January 2016

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

(b) *New standards and interpretations not yet adopted by the Group (Continued)*

Standards	Key requirements	Effective from financial years starting on or after
HKFRS 10 and HKAS 28 (Amendment)	The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.	1 January 2016
Annual improvements 2014	The amendments include changes from the 2012–2014 cycle of the annual improvements project that affect 4 standards: • HKFRS 5, "Non-current assets held for sale and discontinued operations" • HKFRS 7, "Financial instruments: Disclosures" • HKAS 19, "Employee benefits" • HKAS 34, "Interim financial reporting"	1 January 2016

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted by the Group (Continued)

Standards	Key requirements	Effective from financial years starting on or after
HKFRS 15	HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.	1 January 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted by the Group (Continued)

Standards	Key requirements	Effective from financial years starting on or after
HKFRS 9	HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.	1 January 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted by the Group (Continued)

Standards	Key requirements	Effective from financial years starting on or after
	HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.	
	HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS 39.	

The Group is in the process of assessing the impact of these standards and amendments on the consolidated financial statements. There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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, and unrealised gains on transactions between group companies are eliminated. Unrealised losses 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. (蘇州新區恒悅管理諮詢有限公司) ("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 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. 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. Acquisition-related costs are expensed as incurred.

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. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Interest income and expense

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

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

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

2.4 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments and available-for-sale investments. Management determines the classification of its investments at initial recognition.

The Group did not hold financial assets which were classified as “financial assets at fair value through profit or loss”, “held-to-maturity investments” or “available-for-sale investments” for the years ended 31 December 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Financial assets (Continued)

(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.

2.5 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" for the years ended 31 December 2014 and 2013.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains/(losses), 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 (Note 2.13).

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

2.12 Intangible asset

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

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 2.13.

2.13 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 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.

2.16 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Share-based payments (Continued)

(a) Equity-settled share-based payment transactions (Continued)

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.

2.17 Provisions

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

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

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

2.18 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.

2.19 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share capital

Ordinary shares are classified as equity.

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

2.21 Cash and cash equivalents

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

2.22 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 operational risk. Market risk primarily includes interest rate risk.

3.2 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk (Continued)

(a) Credit risk mitigation policies

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

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

The Group also focuses on ascertaining legal ownership and the valuation of the real estate collaterals. A loan granted is based on the value of the collaterals and generally approximates 60%–70% of the estimated value of the real estate collaterals. The Group monitors the value of the real estate collaterals throughout the loan period.

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

In addition to pawn loans, the Group has started to engage in entrusted loan business during the year. 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 may require a licensed guarantee company to act as the guarantor for certain entrusted loans.

(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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk (Continued)

(b) Impairment and provisioning policies (Continued)

The impairment provision shown in the consolidated statements of financial position at year 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, real estate 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:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Loans to customers, gross		
— Real estate backed pawn loans	869,181	497,302
— Equity interest backed pawn loans	467,430	250,509
— Personal property backed pawn loans	10,960	6,580
— Entrusted loans	186,873	—
	1,534,444	754,391
Less: Impairment allowances		
— Real estate backed pawn loan	(10,247)	—
— Equity interest backed pawn loans	(26,959)	(4,277)
— Personal property backed pawn loan	—	—
— Entrusted loans	(2,990)	—
	(40,196)	(4,277)
	1,494,248	750,114

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

The Group's credit risk management policies require the review of individual outstanding 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 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk (Continued)

(b) Impairment and provisioning policies (Continued)

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

The Group accepted real estate at fair value of approximately RMB1,489,079 thousand as collateral for security as at 31 December 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 years ended 31 December 2014 and 2013, there has been no incurred credit loss on the loans secured by personal property collateral after considering the amount recovered through repossessed assets. Consequently no collectively assessed impairment allowances were provided for loans secured by this collateral type.

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

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Credit risk exposures relating to assets are as follows:		
Other receivables	**10,776**	2,305
Loans to customers	**1,494,248**	750,114
Amounts due from related parties	**—**	500,000
Deposit with banks	**854,650**	815,202
	2,359,674	2,067,621

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2014 and 2013, without taking into account of any collateral held for or other credit enhancements attached. The exposures set out above for assets are based on net carrying amounts as reported in the consolidated statements of financial position.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk (Continued)

(d) Loans to customers

Loans to customers are summarised as follows:

	As at 31 December 2014 RMB'000	2013 RMB'000
Neither past due nor impaired	1,230,672	682,537
Past due but not impaired	277,879	71,780
Individually impaired	25,893	74
Gross	1,534,444	754,391
Less: Impairment allowances	(40,196)	(4,277)
Net	1,494,248	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 as at 31 December 2014 (2013: Nil).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 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 been no significant change in the customers' credit quality and the balances are considered fully recoverable. Gross amount of loans to customers that were past due but not impaired are analysed by aging as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Real estate backed pawn loans, gross		
Past due up to 1 month	**2,709**	27,520
Past due 1–3 months	**6,779**	4,840
Past due 4–6 months	**16,882**	7,154
Past due over 6 months	**232,871**	30,716
	259,241	70,230
Equity interest backed pawn loans, gross		
Past due up to 1 month	**—**	1,550
Past due 1–3 months	**2,495**	—
Past due 4–6 months	**16,143**	—
	18,638	1,550
Past due but not impaired	**277,879**	71,780

The Group accepted real estate collateral at fair value of approximately RMB412,574 thousand for real estate backed pawn loans that were past due but not impaired as at 31 December 2014 (2013: RMB157,320 thousand).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Credit risk (Continued)

(d) Loans to customers (Continued)

(ii) Loans to customers past due but not impaired (Continued)

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

(iii) Loans to customers individually impaired

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Gross individually impaired loans	**25,893**	74
As a percentage of total gross loans	**1.69%**	0.01%
Impairment allowance made in respective of such loans	**19,633**	74

Individually impaired loans related to equity interest backed pawn loans for the years ended 31 December 2014 and 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 25.1% of the total loans to customers as at 31 December 2014 (2013: 51.4 %). Interest income from the top five customers accounted for 33.6% of total interest income for the year ended 31 December 2014 (2013: 41.0 %).

3.3 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Market risk (Continued)

(a) Interest rate risk (Continued)

The most significant interest-bearing assets and liabilities are loans to customers and bank borrowings, which both bear fixed interest rates to generate cash flows independent from market interest rates. Contractual interest rate re-pricing is matched with maturity date of each pawn loan granted to customer, or maturity date of bank borrowings. As at respective balance sheet dates, maturity dates of loans to customers are all within six months, whilst maturity dates of bank borrowings are within 12 months. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of loans to customers, bank borrowings and interest bearing bank deposits and related party balances.

Based on the simulations performed and with other variables held constant, should the benchmark interest rate had been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB774 thousand for the year ended 31 December 2014 (2013: RMB1,710 thousand), mainly as a result of higher/lower interest income on term deposits with banks and interest expense on fixed-rate bank borrowings arising from interest rate repricing.

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

(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 31 December 2014, other than deposits with banks denominated in US dollar and Hong Kong dollar totaling RMB600,407 thousand (2013: RMB596,289 thousand) (Note 20), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should US dollar had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB6,004 thousand (2013: RMB5,920 thousand) lower/higher for the year ended 31 December 2014, mainly as a result of foreign exchange losses/gains on translation of US dollar and Hong Kong dollar denominated balances.

3.4 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)

3.4 Liquidity risk (Continued)

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

	Repayable on demand or within 1 month RMB'000	1–6 months RMB'000	6–12 months RMB'000	Total RMB'000
As at 31 December 2014				
Bank borrowings	48,232	336,289	484,270	868,791
Amounts due to related parties	633	—	—	633
Other financial liabilities	2,458	—	—	2,458
Total financial liabilities	51,323	336,289	484,270	871,882
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.

3.5 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.

3.6 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.6 Capital risk management (Continued)

The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings balance net of cash and cash equivalent balance. Total capital is calculated as "total equity" as shown in the consolidated statements of financial position plus net debt.

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 31 December 2014 and 2013 were as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bank borrowings *(Note 23)*	**836,509**	718,113
Less: Cash and cash equivalents *(Note 19)*	**(186,359)**	(338,837)
Net debt	**650,150**	379,276
Total equity	**1,500,113**	1,330,339
Total capital	**2,150,263**	1,709,615
Gearing ratio	**30%**	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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(a) Impairment allowances on loans to customers

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

(b) Income taxes

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

(c) Contractual Agreements

Under the relevant rules and regulations prevailing in the PRC, wholly foreign-owned enterprises are not allowed to operate pawn-loan business in China. The current registered equity holders of Wuzhong Pawnshop are Wuzhong Jiaye and Hengyue Consulting. As described in Note 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 Company's Board of Directors (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 two legal entities, i.e., Wuzhong Pawnshop and Huifang Tongda. The principal business activity of Wuzhong Pawnshop is to grant pawn loans secured by collateral to customers, mainly small and medium sized enterprises and individuals in the Greater Suzhou Area. Huifang Tongda is engaged in granting entrusted loans and other innovative business.

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 years ended 31 December 2014 and 2013.

6 INTEREST INCOME

The Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest income from loans to customers		
Real estate backed pawn loans	**193,498**	143,662
Equity interest backed pawn loans	**131,253**	82,242
Personal property backed pawn loans	**24,827**	6,747
Entrusted loans	**16,613**	—
Interest income from bank deposits	**22,641**	4,013
	388,832	236,664

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest expense on bank borrowings	**52,866**	18,391

8 ADMINISTRATIVE EXPENSES

The Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Employee benefit expenses *(Note 9)*	**24,333**	13,336
Business tax and surcharges	**21,679**	13,846
Value-added tax and surcharges	**10,276**	6,938
Professional and consultancy fees	**3,992**	3,683
Transportation, meal and accommodation	**2,893**	2,512
Auditors' remuneration		
— Audit services	**2,178**	1,558
— Non-audit services	**200**	150
Operating lease payments	**2,390**	2,360
Telephone, utilities and office expenses	**1,223**	611
Depreciation and amortisation	**1,191**	1,472
Advertising costs	**10**	90
Other expenses	**2,584**	1,127
	72,769	47,537

The Group's lending businesses 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 revenue items 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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	**8,185**	7,619
Discretionary bonuses	**8,685**	3,061
Other social security obligations	**1,642**	1,493
Pension	**1,050**	1,163
Share-based payments *(Note 21(b))*	**4,771**	—
	24,333	13,336

10 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each executive director of the Company paid/payable by the Group for the years ended 31 December 2014 and 2013 are set out below:

	Basic salaries RMB'000	Discretionary bonuses RMB'000	Pension RMB'000	Other social security obligations RMB'000	Fees RMB'000	Share option benefit RMB'000	Total RMB'000
Year ended 31 December 2014							
Executive directors:							
CHEN Yannan (陳雁南)	720	465	–	–	–	362	1,547
WU Min (吳敏)	672	434	38	47	–	362	1,553
MAO Zhuchun (毛竹春)	480	310	38	47	–	229	1,104
Independent non-executive directors:							
ZHANG Huaqiao (張化橋)	–	–	–	–	237	191	428
TSE Yat Hong (謝日康)	–	–	–	–	237	191	428
FENG Ke (馮科)	–	–	–	–	237	191	428
Non- executive directors:							
ZHUO You (卓有)	–	–	–	–	–	95	95
CAO Jian (曹健)	–	–	–	–	–	95	95
ZHANG Cheng (張成)	–	–	–	–	–	95	95
	1,872	1,209	76	94	711	1,811	5,773
Year ended 31 December 2013							
Executive directors:							
CHEN Yannan (陳雁南)	350	116	–	–	–	–	466
WU Min (吳敏)	350	116	27	35	–	–	528
MAO Zhuchun (毛竹春)	336	87	27	35	–	–	485
Independent executive directors:							
ZHANG Huaqiao (張化橋)	–	–	–	–	79	–	79
TSE Yat Hong (謝日康)	–	–	–	–	79	–	79
FENG Ke (馮科)	–	–	–	–	79	–	79
	1,036	319	54	70	237	–	1,716

ZHANG Huaqiao, TSE Yat Hong and FENG Ke were appointed as independent non-executive directors of the Company in October 2013.

10 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included three executive directors for the year ended of December 2014 (2013: three), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals for the year ended 31 December 2014 (2013: two) are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Basic salaries	300	300
Discretionary bonuses	242	220
Pension	58	48
Other social security obligations	76	62
Share option benefit	344	—
	1,020	630

The emoluments to the two individuals fell within the following bands:

	Year ended 31 December	
	2014	2013
	Number of individuals	Number of individuals
Emoluments band		
Nil–HK$1,000,000	2	2

For the years ended 31 December 2014 and 2013, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

11 OTHER GAINS/(LOSSES), NET

The Group

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Government grants	1,948	2,100
Net foreign currency gains/(losses)	2,146	(3,031)
Others	—	11
	4,094	(920)

12 INCOME TAX EXPENSE

The Group

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Current income tax	75,152	42,509
Deferred income tax	(8,782)	192
	66,370	42,701

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

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Profit before income tax	231,373	169,432
Tax calculated at statutory tax rates	59,383	42,599
Tax effect of:		
– Expenses not deductible for tax purposes	1,448	102
– PRC withholding tax	5,202	—
– Adjustment in respect of prior years	337	—
Tax charge	66,370	42,701

12 INCOME TAX EXPENSE (Continued)

The Group (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 the year ended 31 December 2014 (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 by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007 to its immediate holding company incorporated outside Mainland China. The Group accrued for PRC withholding tax with amount of RMB5,202 thousand based on the tax rate of 10% on a portion of the earnings generated by PRC subsidiaries for the year ended 31 December 2014 (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.

13 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for each of the year 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 year. 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 2013.

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	**165,003**	126,731
Weighted average number of ordinary shares in issue (in thousands)	**1,025,237**	712,540
Basic earnings per share (RMB)	**0.16**	0.18

13 EARNINGS PER SHARE (Continued)

(b) Dilutive earnings per share

As there were no options or shares in issue with potential dilutive effect during the years ended 31 December 2014 and 2013, diluted earnings per share is the same as basic earnings per share.

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 years ended 31 December 2014 and 2013.

A dividend in respect of the year ended 31 December 2014 of HK$0.055 per share, amounting to a total dividend of HK$56,388 thousand (equivalent to approximately RMB44,483 thousand), is to be proposed at the annual general meeting on 28 May 2015. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Proposed final dividend of HK$0.055 (2013: Nil) per ordinary share	**44,483**	—

The aggregate amounts of the dividends paid and proposed during 2014 and 2013 have been disclosed in consolidated statements of comprehensive income in accordance with Hong Kong Companies Ordinance.

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements RMB'000	Furniture & equipment RMB'000	Vehicles RMB'000	Total RMB'000
Cost				
At 31 December 2012	6,402	2,133	172	8,707
Additions	103	68	—	171
Decrease	—	(43)	(172)	(215)
At 31 December 2013	6,505	2,158	—	8,663
Additions	206	98	—	304
Decrease	—	—	—	—
At 31 December 2014	6,711	2,256	—	8,967
Accumulated depreciation				
At 31 December 2012	(3,767)	(901)	(132)	(4,800)
Additions	(954)	(475)	(7)	(1,436)
Decrease	—	—	139	139
At 31 December 2013	(4,721)	(1,376)	—	(6,097)
Additions	(787)	(368)	—	(1,155)
Decrease	—	—	—	—
At 31 December 2014	(5,508)	(1,744)	—	(7,252)
Net book amount				
At 31 December 2014	1,203	512	—	1,715
At 31 December 2013	1,784	782	—	2,566

The Group's depreciation charges of property, plant and equipment have all been included in administrative expenses for the years ended 31 December 2014 and 2013.

16 DEFERRED INCOME TAX

The Group

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Impairment charge on loans to customers RMB'000	Recoverable tax losses RMB'000	Total RMB'000
Deferred income tax assets			
At 1 January 2014	1,069	652	1,721
Credited to the consolidated statements of comprehensive income	8,980	(562)	8,418
At 31 December 2014	10,049	90	10,139
At 1 January 2013	1,913	—	1,913
Credited to the consolidated statements of comprehensive income	(844)	652	(192)
At 31 December 2013	1,069	652	1,721

	PRC with holding tax (Note 12) RMB'000	Total RMB'000
Deferred income tax liabilities		
At 1 January 2014	—	—
Charged to the consolidated statements of comprehensive income	5,202	5,202
At 31 December 2014	5,202	5,202

As at 31 December 2014, deferred income tax liabilities of RMB5,202 thousand (2013: Nil) have been recognised for the PRC withholding tax which would be paid upon remittance, in respect of a portion of unremitted distributable profits of PRC subsidiaries attributable to the investors outside PRC.

17 OTHER ASSETS

The Group

	As at 31 December 2014 RMB'000	2013 RMB'000
Repossessed assets		
— Personal properties	7,066	1,074
Interest receivable from bank deposits	6,964	963
Other receivables	3,812	1,342
	17,842	3,379

18 LOANS TO CUSTOMERS

The Group

	As at 31 December 2014 RMB'000	2013 RMB'000
Pawn loans to customers, gross		
Real estate backed pawn loans	869,181	497,302
Equity interest backed pawn loans	467,430	250,509
Personal property backed pawn loans	10,960	6,580
Entrusted loans	186,873	—
	1,534,444	754,391
Less: Impairment allowances		
– Individually assessed	(19,633)	(74)
– Collectively assessed	(20,563)	(4,203)
	(40,196)	(4,277)
Pawn loans to customers, net	1,494,248	750,114

Pawn loans to customers arise 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 year ended 31 December 2014 (2013: from 22.37% to 37.99%).

Entrusted loans granted to customers are all within one year and bear a fixed interest rate of 12%per annum in the year ended 31 December 2014 (2013: Nil).

18 LOANS TO CUSTOMERS (Continued)

Loans to customers are all denominated in RMB. The impairment allowances are related to real estate backed pawn loans, equity interest backed pawn loans and entrusted loans (2013: all related to equity interest backed pawn loans) (Note 3.2(b)).

As at 31 December 2014, renewed loans amounted to RMB 9,700 thousand (2013: RMB59,310 thousand), all are real estate backed pawn loans (2013: 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 year ended 31 December 2014 (2013: same).

(a) Aging analysis of loans to customers

The aging of the loans to customers are calculated starting from the original granting date without considering the subsequent renewal of the loans. The aging analysis of loans to customers net of impairment allowances are set out below:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 3 months	1,131,098	449,538
3–6 months	83,718	185,217
6–12 months	103,624	59,283
12–24 months	123,853	41,369
Over 24 months	51,955	14,707
	1,494,248	750,114

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Individually assessed		
At beginning of year	74	3,957
Impairment losses recognised	19,559	191
Net write back of loan provision	–	(990)
Loans written off as un-collectible	–	(3,084)
At end of year	19,633	74
Collectively assessed		
At beginning of year	4,203	2,550
Impairment losses recognised	16,360	1,653
At end of year	20,563	4,203

18 LOANS TO CUSTOMERS (Continued)

(c) Net charge on loans to customers

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net charge/(reversal) of impairment allowance		
Individually assessed	**19,559**	(799)
Collectively assessed	**16,360**	1,653
	35,919	854

19 CASH AT BANK AND ON HAND

The Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Cash on hand	**1,325**	1,643
Demand deposits with banks	**185,034**	337,194
Term deposits with banks with original maturities over 3 months	**669,616**	478,008
	855,975	816,845

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
RMB	**255,567**	220,556
US dollar	**599,613**	585,594
Hong Kong dollar	**795**	10,695
	855,975	816,845

19 CASH AT BANK AND ON HAND (Continued)

The Group (Continued)

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Cash at bank and on hand	855,975	816,845
Less: Unrestricted term deposits with banks with original maturities over 3 months	(606,975)	(221,938)
Restricted term deposits pledged with banks	(62,641)	(256,070)
	186,359	338,837

As at 31 December 2014, restricted term deposits of US$10,237 thousand (2013: US$42,000 thousand), which is equivalent to RMB62,641 thousand (2013: RMB256,070 thousand),were pledged with banks to secure bank borrowings with principal amount of RMB55,000 thousand (2013: RMB227,000 thousand) (Note 25).

The Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Demand deposits with banks	796	10,946

Cash at bank of the Company were denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
US dollar	8	10,690
Hong Kong dollar	788	256
	796	10,946

(All amounts in RMB thousands unless otherwise stated)

20 SHARE CAPITAL

The Group and the Company

	Number of shares	Ordinary shares US$/HK$	Ordinary shares RMB
Authorised:			
As at 31 December 2014 and 2013	10,000,000,000	HK$100,000,000	
Issued and fully paid:			
As at 1 January 2014 and 31 December 2014	1,025,237,000	HK$10,252,370	8,111,008
As at 1 January 2013	7,800,000	HK$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	HK$6,422,000	5,080,000
Issuance of ordinary shares on 28 October 2013, HK$0.01 each (b)	375,236,000	HK$3,752,360	2,968,000
Over allotment of ordinary shares on 20 November 2013, HK$0.01 each (c)	1,000	HK$10	8
As at 31 December 2013	1,025,237,000	HK$10,252,370	8,111,008

(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 approximately 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 share holdings in the Company. Issue of the new shares was made out of the "share premium".

(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 approximately 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 RMB597,799 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 approximately 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	**Share-based payments reserve** RMB'000	**Total** RMB'000
At 1 January 2014	592,720	500,000	34,365	—	1,127,085
Appropriation to statutory reserves (a)	—	—	17,577	—	17,577
Value of employee services (b)	—	—	—	4,771	4,771
At 31 December 2014	592,720	500,000	51,942	4,771	1,149,433
At 1 January 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)(c))*	597,800	—	—	—	597,800
Appropriation to statutory reserves (a)	—	—	12,965	—	12,965
At 31 December 2013	592,720	500,000	34,365	—	1,127,085

The Company

		Other reserves			
	Share premium RMB'000	**Capital reserve** RMB'000	**Statutory reserve** RMB'000	**Share-based payments reserve** RMB'000	**Total** RMB'000
At 1 January 2014	592,720	357,492	—	—	950,212
Value of employee services (b)	—	—	—	4,771	4,771
At 31 December 2014	592,720	357,492	—	4,771	954,983
At 1 January 2013	—	357,492	—	—	357,492
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)(c))*	597,800	—	—	—	597,800
At 31 December 2013	592,720	357,492	—	—	950,212

21 SHARE PREMIUM AND OTHER RESERVES (Continued)

(a) Statutory reserve

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

(b) Share-based payments — Value of employee services

A share option scheme was approved on 26 May 2014 to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Under the share option scheme, the Company granted 50,000,000 share options to directors and selected employees on 16 June 2014 with an exercise price of HK$1.4. Options are conditional on the employee completing two years' service (the vesting period). The options become 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 period of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

	2014	
	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 January	—	—
Granted	1.4	50,000
	1.4	50,000

Share options outstanding at the end of the year will vest on 15 June 2016.

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was HK$0.44 per option (2013: Nil). The significant inputs into the model were weighted average share price of HK$1.40 (2013: Nil) at the grant date, exercise price shown above, volatility of 48.26% (2013: Nil), dividend yield of 20.89% (2013: Nil), an expected option life of five years, and an annual risk-free interest rate of 1.36% (2013: Nil). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices from the listing date. Employee benefit expense of RMB4,771 thousand (2013: Nil) was recognised for share options granted to directors and employees for the year ended 31 December 2014.

22 OTHER LIABILITIES

The Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Accrued employee benefits	10,012	4,015
Turnover tax and other tax payable	3,805	2,371
Accrued expenses	205	2,146
IPO costs payable	—	3,695
Other financial liabilities	2,206	1,847
	16,228	14,074

The Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Accrued employee benefits	478	—
Accrued expenses	207	2,146
IPO costs payable	—	3,695
	685	5,841

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

23 BANK BORROWINGS

The Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bank borrowings — principal	835,000	717,000
Bank borrowings — interest payable	1,509	1,113
	836,509	718,113

23 BANK BORROWINGS (Continued)

Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 5.32% to 7.80% per annum in the year ended 31 December 2014 (2013: 5.70% to 7.80%).

As at 31 December 2014, bank borrowings with principal amount of RMB55,000 thousand(2013: RMB227,000 thousand) were secured by restricted term deposits of US$10,237 thousand (2013: US$42,000 thousand) (Note 19).

As at 31 December 2014, bank borrowings with principal amount of RMB370 million (2013: RMB290 million) were 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 31 December 2014, the Group had no undrawn borrowing facilities (2013: RMB80 million expiring within one year).

24 INTERESTS IN SUBSIDIARIES

The Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Unlisted investments, at cost	357,492	357,492
Capital contribution relating to share-based payment	2,963	—
	360,455	357,492

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

The capital contribution relating to share based payment relates to options on 31,000,000 shares granted by the Company to employees of PRC subsidiaries. Refer to Note 21(b) for further details on the Group's share option schemes.

(All amounts in RMB thousands unless otherwise stated)

24 INTERESTS IN SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2014:

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	(d)
Tongda Investment Limited	BVI	22 November 2011	Limited company	1 share of US$1	–	100%	investment holding	(d)
Rongda Investment Limited	Hong Kong	05 December 2011	Limited company	1 share of US$1	–	100%	investment holding	(d)
Huifang Investment Limited	Hong Kong	05 December 2011	Limited company	1 share of US$1	–	100%	investment holding	(d)
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	(c)
Suzhou Huifang Tongda Information Technology Company Limited ("Huifang Tongda")	The PRC	10 December 2012	Limited company	RMB20,100,000	–	100%	management and marketing consulting	(b)
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.

(b) Statutory financial statements of 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") for the years ended 31 December 2014 and 2013 were audited by Suzhou Chang cheng CPA Co., Ltd.

(c) Statutory financial statements of Suzhou Huifang Technology Company Limited (蘇州匯方科技有限公司), previously named as Suzhou Huifang Management Consulting Company Limited (蘇州匯方管理諮詢有限公司) (collectively "Huifang Technology") for the years ended 31 December 2014 and 2013 were audited by Suzhou Changcheng CPA Co., Ltd.

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

25 CONTINGENCIES

As at 31 December 2014, the Group did not have any significant contingent liabilities (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:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
No later than 1 year	**1,590**	2,763
Later than 1 year and no later than 5 years	**1,593**	3,337
Later than 5 years	**—**	—
	3,183	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:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Office rental paid to Wuzhong Real Estate by the Group	**235**	239
Bank borrowings guaranteed by Wuzhong Jiaye and Ultimate Shareholders (in principal amount at year-end) *(Note 23)*	**370,000**	290,000

27 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

The Company

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Fee paid by Huifang Tongda on behalf of the Company	2,445	—
IPO costs repaid by Huifang Tongda to Wuzhong Jiaye	1,949	—
IPO costs paid by Huifang Tongda on behalf of the Company	—	5,032
IPO costs paid by Wuzhong America on behalf of the Company	—	2,906
IPO costs paid by Wuzhong Jiaye on behalf of the Group	—	1,949
IPO costs paid by Huifang Technology on behalf of the Company	—	593

(c) Balances with related parties

The Group

	As at 31 December 2014 RMB'000	2013 RMB'000
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 Pawnshopas 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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
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
Amounts due from related parties		
Due from Huifang Investment Limited	587,432	588,488
Due from Sifang Investment Limited	623	638
	588,055	589,126

Amounts due to BVI entities owned by the Ultimate Shareholders were denominated in US dollar. Other balances with related parties were denominated in RMB. The carrying amounts approximated to their fair values as at 31 December 2014 and 2013.

Balances with related parties were interest-free.

27 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

Key management comprises six members including executive directors, the vice president, the assistant to the president and the risk control director. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Basic salaries	**2,412**	1,576
Discretionary bonuses	**1,674**	740
Pension and other social security obligations	**396**	312
Share based payments	**1,915**	—
	6,397	2,628

28 EVENT AFTER THE BALANCE SHEET DATE

On 30 March 2015, the Board announced a potential acquisition of 40% of the equity interests in Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. from Wuzhong Jiaye for a cash consideration of RMB126,414,800 (equivalent to approximately HK$158,018,500). Completion of such transaction is subject to shareholders' approval on the coming extraordinary general meeting to be convened by the Company.

Definitions

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

"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time)
"Board" or "Board of Directors"	the board of directors of our Company
"Capitalisation Issue"	the issue of 642,200,000 Shares to be made upon capitalisation of an amount of HK$6,422,000 standing to the credit of the share premium account of our Company referred to in "Statutory and General Information — A. Further Information about our Group — 2. Changes in the Share Capital of Our Company" in Appendix IV to the Prospectus
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"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
"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
"Director(s)"	the director(s) of our Company
"EIT Law"	the PRC Enterprise Income Tax Law
"Global Offering" or "IPO"	the Hong Kong public offering and the international offering of Shares
"Greater Suzhou Area"	Suzhou city and the four county-level cities that are governed by the Suzhou city government, namely, Changshu, Kunshan,Taicang and Zhangjiagang
"Group", "our Group", "we", "our" or "us"	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as the subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)

"Hengyue Consulting"	蘇州新區恆悅管理諮詢有限公司 (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
"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 Date"	28 October 2013 on which the Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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"	the People's Republic of China
"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 chief executive 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
"Share(s)"	ordinary shares(s) in the capital of the Company with normal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"short-term secured financing provider"[1]	a financing provider like us who provides short-term secured loans to its customers
"short-term secured loan"	a loan that is secured by underlying collateral and has an initial term of no longer than six months
"Sifang Investment"	Sifang Investment Limited (四方投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Tongda Investment"	Tongda Investment Limited (同達投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company with no substantial business activity
"Track Record Period"	the four fiscal years of our Company ended 31 December 2010, 2011, 2012 and 2013
"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.)

1 We operate under the Pawning Measures promulgated by MOFCOM and the Ministry of Public Security, and accordingly, we refer to our business as pawn loan services. However, as pawn loan businesses under the Pawning Measures may engage in activities that go beyond the traditional scope of pawn loans (i.e. loans secured by personal property collateral), such as using real estate collateral and equity interest collateral to secure loans of a relatively substantial size, we also use the term "short-term secured financing services" to refer to our business in order to provide a clear understanding of the broader scope of our actual business operations in comparison to traditional pawn loan services.

In this annual report, the terms "associate", "close 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%

CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司