Hanhua Financial Holding Co., Ltd.*
瀚華金控股份有限公司
(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 3903)

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

The board (the "Board") of directors (the "Directors") of Hanhua Financial Holding Co., Ltd. (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2014, together with comparative figures of the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2014 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended June 30,	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Guarantee and consulting fee income		**482,877**	422,420
Re-guarantee expenses		**(742)**	(234)
Net guarantee and consulting fee income		**482,135**	422,186
Interest and handling fee income		**623,278**	295,874
Interest and commission expenses		**(98,430)**	(43,378)
Net interest and handling fee income		**524,848**	252,496
Net fee and interest income	*3*	**1,006,983**	674,682
Other revenue		**5,716**	3,835
Provision for guarantee losses		**(39,881)**	(41,000)
Impairment losses	*3*	**(141,855)**	(102,341)
Administrative expenses		**(417,759)**	(300,341)
Other net losses		**(296)**	(565)
Profit before taxation	*4*	**412,908**	234,270
Income tax	*5*	**(94,864)**	(55,719)
Profit for the period		**318,044**	178,551
Attributable to:			
Shareholders of the Company		**256,040**	124,274
Non-controlling interests		**62,004**	54,277
Profit for the period		**318,044**	178,551
Earnings per share			
Basic and diluted (RMB)	*7*	**0.07**	0.06

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2014 – unaudited
(Expressed in RMB)

		Six months ended June 30,	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Profit for the period		**318,044**	178,551
Other comprehensive income for the period (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale securities: net movement in the fair value reserve	*6*	**111**	(305)
Total comprehensive income for the period		**318,155**	178,246
Attributable to:			
Shareholders of the Company		**256,151**	123,969
Non-controlling interests		**62,004**	54,277
Total comprehensive income for the period		**318,155**	178,246

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2014 – unaudited
(Expressed in RMB)

	Note	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Assets			
Cash and cash equivalents	8	**2,326,663**	940,545
Restricted bank deposits		**2,241,838**	2,293,183
Trade and other receivables	9	**366,562**	254,435
Loans and advances to customers	10	**5,581,415**	4,579,902
Available-for-sale financial assets	11	**49,741**	9,593
Fixed assets	12	**328,443**	300,154
Intangible assets		**3,901**	4,530
Deferred tax assets	18	**268,019**	245,620
Total assets		**11,166,582**	8,627,962
Liabilities			
Interest-bearing borrowings	13	**652,740**	966,740
Financial assets sold under repurchase agreement	14	**1,646,971**	797,959
Liabilities from guarantees	15	**923,613**	852,993
Customer pledged deposits	16(a)	**46,527**	78,182
Accruals and other payables	16(b)	**355,143**	332,868
Current tax liabilities		**129,503**	140,861
Total liabilities		**3,754,497**	3,169,603
NET ASSETS		**7,412,085**	5,458,359
CAPITAL AND RESERVES	19		
Share capital		**4,580,000**	3,430,000
Reserves		**1,960,108**	1,402,258
Total equity attributable to shareholders of the Company		**6,540,108**	4,832,258
Non-controlling interests		**871,977**	626,101
TOTAL EQUITY		**7,412,085**	5,458,359

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2014 – unaudited
(Expressed in RMB)

	Attributable to shareholders of the Company								
	Paid-in/share capital *RMB'000* *Note 19(b)*	Capital/share premium *RMB'000* *Note 19(c)(i)*	Capital reserve *RMB'000* *Note 19(c)(ii)*	Surplus reserve *RMB'000* *Note 19(c)(iii)*	General reserve *RMB'000* *Note 19(c)(iv)*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2013	300,000	–	–	50,122	121,952	317,425	789,499	1,718,540	2,508,039
Changes in equity for the six months ended June 30, 2013:									
Profit for the period	–	–	–	–	–	124,274	124,274	54,277	178,551
Other comprehensive income	–	–	(305)	–	–	–	(305)	–	(305)
Total comprehensive income	–	–	(305)	–	–	124,274	123,969	54,277	178,246
Capital injection	1,276,128	909,973	–	–	–	(870)	2,185,231	(20,191)	2,165,040
Equity-settled share-based payment *(Note 17)*	–	–	49,313	–	–	–	49,313	–	49,313
Purchase equity interest from non-controlling interests	–	–	–	–	–	15,233	15,233	(89,781)	(74,548)
Business combination under common control	935,480	383,943	–	44,328	–	79,517	1,443,268	(1,443,268)	–
Capital injection in subsidiaries from non-controlling interests	–	–	2,160	–	–	–	2,160	234,750	236,910
Share capital increased by retained earnings transfer	125,549	–	–	–	–	(125,549)	–	–	–
Conversion into joint stock company	792,843	(657,201)	–	(50,122)	(50,122)	(35,398)	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	(142,808)	(142,808)
Balance at June 30, 2013	3,430,000	636,715	51,168	44,328	71,830	374,632	4,608,673	311,519	4,920,192
Balance at July 1, 2013	3,430,000	636,715	51,168	44,328	71,830	374,632	4,608,673	311,519	4,920,192
Changes in equity for the six months ended December 31, 2013:									
Profit for the period	–	–	–	–	–	155,462	155,462	22,735	178,197
Total comprehensive income	–	–	–	–	–	155,462	155,462	22,735	178,197
Equity-settled share-based payment *(Note 17)*	–	–	94,889	–	–	–	94,889	–	94,889
Capital injection in subsidiaries from non-controlling interests	–	–	(26,766)	–	–	–	(26,766)	291,847	265,081
Appropriation to general reserve	–	–	–	–	108,179	(108,179)	–	–	–
Balance at December 31, 2013	3,430,000	636,715	119,291	44,328	180,009	421,915	4,832,258	626,101	5,458,359

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended June 30, 2014 – unaudited (continued)
(Expressed in RMB)

	Attributable to shareholders of the Company								
	Share capital *RMB'000* *Note 19(b)*	Share premium *RMB'000* *Note 19(c)(i)*	Capital reserve *RMB'000* *Note 19(c)(ii)*	Surplus reserve *RMB'000* *Note 19(c)(iii)*	General reserve *RMB'000* *Note 19(c)(iv)*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2014	**3,430,000**	**636,715**	**119,291**	**44,328**	**180,009**	**421,915**	**4,832,258**	**626,101**	**5,458,359**
Changes in equity for the six months ended June 30, 2014:									
Profit for the period	–	–	–	–	–	256,040	256,040	62,004	318,044
Other comprehensive income	–	–	111	–	–	–	111	–	111
Total comprehensive income	–	–	111	–	–	256,040	256,151	62,004	318,155
Issuance of new shares	1,150,000	262,882	–	–	–	–	1,412,882	–	1,412,882
Equity-settled share-based payment *(Note 17)*	–	–	67,063	–	–	–	67,063	–	67,063
Capital injection in subsidiaries from non-controlling interests	–	–	(28,246)	–	–	–	(28,246)	211,897	183,651
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	(28,025)	(28,025)
Balance at June 30, 2014	**4,580,000**	**899,597**	**158,219**	**44,328**	**180,009**	**677,955**	**6,540,108**	**871,977**	**7,412,085**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended June 30, 2014 – unaudited
(Expressed in RMB)

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Operating activities		
Cash used in operations	**(483,349)**	(1,052,154)
PRC income tax paid	**(128,659)**	(101,074)
Net cash used in operating activities	**(612,008)**	(1,153,228)
Investing activities		
Payment for the purchase of fixed assets and other non-current assets	**(46,054)**	(117,469)
Payments on acquisition of available-for-sale assets	**(40,000)**	–
Net cash used in investing activities	**(86,054)**	(117,469)
Financing activities		
Proceeds from issuance of new shares	**1,476,741**	–
Net proceeds from financial assets sold under repurchase agreement	**849,012**	37,205
Capital injection from non-controlling interests	**183,651**	2,135,501
Net decrease of interest-bearing borrowings	**(314,000)**	(24,296)
Dividends paid to non-controlling interests	**–**	(142,808)
Other cash flows used for financing activities	**(111,224)**	(116,108)
Net cash generated from financing activities	**2,084,180**	1,889,494
Net increase in cash and cash equivalents	**1,386,118**	618,797
Cash and cash equivalents at January 1	**940,545**	254,355
Cash and cash equivalents at June 30	**2,326,663**	873,152

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000 unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on August 24, 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Accountants' Report disclosed in Appendix I of the prospectus of the Company dated June 3, 2014 (the "Prospectus"), except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report comprises the Company and its subsidiaries (together referred to as the "Group"). This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Accountants' Report disclosed in Appendix I of the Prospectus. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the HKICPA. KPMG's independent review report to the Shareholders is included on pages 27 and 28.

The financial information relating to the financial year ended December 31, 2013 that is included in the interim financial report as being previously reported information which is derived from the Prospectus, does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The Group early adopted the amendments in the annual financial statements for the year ended December 31, 2013.

3 SEGMENT REPORTING

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Guarantee business

This segment represents the provision of a range of guarantee and related consulting services to customers. These guarantee services include financial guarantee, performance guarantee and litigation guarantee. The consulting services include debt financing, internal control and risk management related consulting services to the guarantee customers.

SME lending

This segment represents the provision of a range of loan and services to the small and medium sized and micro enterprises ("SME enterprises") or the owners of SME enterprises.

Others

This segment represents the aggregation of other non-significant business lines and the operational results of the headquarters.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include all liabilities managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the six months ended June 30, 2014 is set out below:

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

	Six months ended June 30, 2014			
	Guarantee business *RMB'000*	**SME lending** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Net guarantee and consulting fee income	**482,135**	**–**	**–**	**482,135**
Net interest and handling fee income	**35,966**	**488,882**	**–**	**524,848**
Reportable segment revenue	**518,101**	**488,882**	**–**	**1,006,983**
Other revenue, net	**4,821**	**599**	**–**	**5,420**
Provision for guarantee losses	**(39,881)**	**–**	**–**	**(39,881)**
Impairment losses	**(67,182)**	**(74,673)**	**–**	**(141,855)**
Administrative expenses	**(199,505)**	**(126,210)**	**(92,044)**	**(417,759)**
Reportable segment profit before taxation	**216,354**	**288,598**	**(92,044)**	**412,908**

	At June 30, 2014			
	Guarantee business *RMB'000*	**SME lending** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment assets	**3,801,822**	**7,087,000**	**9,741**	**10,898,563**
Segment liabilities	**1,319,877**	**2,434,620**	**–**	**3,754,497**

	Six months ended June 30, 2013			
	Guarantee business *RMB'000*	SME lending *RMB'000*	Others *RMB'000*	Total *RMB'000*
Net guarantee and consulting fee income	422,186	–	–	422,186
Net interest and handling fee income	20,172	232,324	–	252,496
Reportable segment revenue	442,358	232,324	–	674,682
Other revenue, net	2,276	456	538	3,270
Provision for guarantee losses	(41,000)	–	–	(41,000)
Impairment losses	(68,475)	(33,866)	–	(102,341)
Administrative expenses	(168,706)	(67,427)	(64,208)	(300,341)
Reportable segment profit before taxation	166,453	131,487	(63,670)	234,270

	At December 31, 2013			
	Guarantee business *RMB'000*	SME lending *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	3,371,269	5,001,480	9,593	8,382,342
Segment liabilities	1,206,366	1,963,237	–	3,169,603

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliation of reportable segment assets

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Assets		
Reportable segment assets	**10,898,563**	8,382,342
Deferred tax assets	**268,019**	245,620
Consolidated total assets	**11,166,582**	8,627,962

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Interest and commission expenses

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Interest on borrowings	**93,926**	38,499
Other finance costs	**4,504**	4,879
Total interest and commission expenses	**98,430**	43,378

(b) Staff costs

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Salaries, wages, bonus and other benefits	**118,297**	81,439
Contributions to retirement schemes	**19,767**	12,379
Equity-settled share-based payment expenses *(Note 17)*	**67,063**	49,313
	205,127	143,131

The Group is required to participate in pension schemes organised by the respective municipal governments of the People's Republic of China (the "PRC") whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the period. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.

(c) Other items

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Operating lease charges in respect of buildings	**32,363**	23,669
Depreciation expenses *(Note 12)*	**17,817**	9,146
Amortisation expenses	**661**	130

5 INCOME TAX

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the period *(Note)*	**117,300**	63,997
Deferred tax *(Note 18)*		
Origination and reversal of temporary differences	**(22,436)**	(8,278)
	94,864	55,719

Note:

Except for Hanhua Guarantee Corporation Limited ("Hanhua Guarantee"), Chongqing Hanhua Assets Management Co., Ltd., Chongqing Yuzhong Hanhua Micro-credit Co., Ltd., Sichuan Hanhua Financing Guarantee Co., Ltd., Nanning Hanhua Micro-credit Co., Ltd. and Beijing Hanhua Internet Technology Co., Ltd., the Company and its subsidiaries are subject to PRC income tax rate of 25%.

Hanhua Guarantee, Chongqing Hanhua Assets Management Co., Ltd., Chongqing Yuzhong Hanhua Micro-credit Co., Ltd. and Sichuan Hanhua Financing Guarantee Co., Ltd are qualified enterprises located in the Western Region and are therefore entitled to preferential tax rate of 15% during the six months ended June 30, 2014 and 2013.

Nanning Hanhua Micro-credit Co., Ltd. is a qualified enterprise located in Guangxi Zhuang Autonomous Region and is therefore entitled to preferential tax rate of 9% during the six months ended June 30, 2014 and 2013.

Beijing Hanhua Internet Technology Co., Ltd. is a qualified software enterprise since May 12, 2014, and is therefore entitled to exempt from PRC income tax for the first year and the second year from the year that a profit is made, and be subject to a 50% reduction in PRC income tax for the third year to the fifth year. The preferential period in tax treatments shall be calculated from the profit-making year till December 31, 2017. Such tax exemption and reduction shall be implemented upon registration and filing with the tax authorities.

6 OTHER COMPREHENSIVE INCOME

(a) Available-for-sale financial assets

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Changes in fair value recognised during the period and net movement in the fair value reserve during the period recognised in other comprehensive income	**111**	(305)

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of RMB256.0 million (six months ended June 30, 2013: RMB124.3 million) and the weighted average of 3,506,243,000 ordinary shares (six months ended June 30, 2013: 2,166,541,000) in issue during the interim period.

There were no dilutive potential ordinary shares during the six months ended June 30, 2014 (six months ended June 30, 2013: nil), and therefore, diluted earnings per share are the same as the basic earnings per share.

8 CASH AND CASH EQUIVALENTS

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Cash in hand	**354**	288
Cash at banks	**2,326,309**	940,257
Cash and cash equivalents in the consolidated cash flow statements	**2,326,663**	940,545

The Group's operation of guarantees and loans to customers services in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

9 TRADE AND OTHER RECEIVABLES

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Trade receivables and receivables for default payments *(Note 9(a))*	**513,867**	408,208
Less: allowance for doubtful debts *(Note 9(b))*	**(329,142)**	(288,488)
	184,725	119,720
Interest receivables	**60,594**	44,711
Repossessed assets	**12,565**	12,565
Other prepayments, deposits and other receivables	**108,678**	77,439
	366,562	254,435

(a) Ageing analysis:

As of the end of the reporting period, the ageing analysis of trade receivables and receivables for default payments, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Within 1 year	**306,672**	235,825
Over 1 year but less than 2 years	**139,653**	148,442
Over 2 years but less than 3 years	**63,946**	15,941
Over 3 years but less than 4 years	**3,596**	8,000
	513,867	408,208
Less: allowance for doubtful debts	**(329,142)**	(288,488)
	184,725	119,720

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables:

Impairment losses in respect of trade receivables and receivables for default payments are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and receivables for default payments directly.

The movement in the allowance for doubtful debts during the period, including both specific and collective loss components, is as follows:

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
At the beginning of the period/year	**288,488**	114,770
Impairment losses recognised in the consolidated income statements	**67,182**	173,718
Write-offs	**(26,528)**	–
At the end of the period/year	**329,142**	288,488

At June 30, 2014, the Group's receivables for default payments of RMB510.8 million (December 31, 2013: RMB405.1 million), were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB329.1 million were made at June 30, 2014 (December 31, 2013: RMB288.5 million).

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Micro-lending	**3,940,363**	2,392,587
Retail loans	**1,670,129**	2,164,091
Loans to individual business proprietors	**224,791**	220,722
Gross loans and advances to customers	**5,835,283**	4,777,400
Less: Allowances for impairment losses		
– Individually assessed	**(42,733)**	(49,344)
– Collectively assessed	**(211,135)**	(148,154)
Total allowances for impairment losses	**(253,868)**	(197,498)
Net loans and advances to customers	**5,581,415**	4,579,902

Loans and advances to customers included loans under repurchase agreements, amounting to RMB1,639.2 million as at June 30, 2014 (December 31, 2013: RMB794.0 million) *(Note 14)*.

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by industry sector

	June 30, 2014		December 31, 2013	
	RMB'000	***%***	*RMB'000*	*%*
Wholesale and retail	**1,808,719**	**31.00%**	1,913,045	40.04%
Manufacturing	**1,646,883**	**28.22%**	669,401	14.01%
Construction	**540,350**	**9.26%**	406,530	8.51%
Real estate	**455,513**	**7.81%**	604,910	12.66%
Leasing and commercial services	**344,025**	**5.90%**	197,703	4.14%
Others	**1,039,793**	**17.81%**	985,811	20.64%
Gross loans and advances to customers	**5,835,283**	**100.00%**	4,777,400	100.00%
Less: Allowances for impairment losses	**(253,868)**		(197,498)	
Net loans and advances to customers	**5,581,415**		4,579,902	

(c) Analysed by type of collateral

	At June 30, 2014	At December 31, 2013
	RMB'000	*RMB'000*
Guaranteed loans	**2,812,783**	1,993,651
Secured loans	**1,733,155**	1,235,687
Unsecured loans	**1,289,345**	1,548,062
Gross loans and advances to customers	**5,835,283**	4,777,400
Less: Allowances for impairment losses		
– Individually assessed	**(42,733)**	(49,344)
– Collectively assessed	**(211,135)**	(148,154)
Total allowances for impairment losses	**(253,868)**	(197,498)
Net loans and advances to customers	**5,581,415**	4,579,902

(d) Overdue loans analysed by overdue period

	At June 30, 2014	At December 31, 2013
	RMB'000	*RMB'000*
Overdue within 3 months (inclusive)	**98,002**	46,378
Overdue between 3 months to 6 months (inclusive)	**32,430**	41,787
Overdue between 6 months to one year (inclusive)	**21,775**	28,524
Overdue more than one year	**45,537**	33,165
	197,744	149,854

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Analysed by methods for assessing allowances for impairment losses

At June 30, 2014

	Loans and advances for which allowances are collectively assessed	**Impaired loans and advances for which allowances are collectively assessed**	**Impaired loans and advances for which allowances are individually assessed**	**Subtotal**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Micro-lending	**3,863,444**	**26,947**	**49,972**	**76,919**	**3,940,363**
Retail Loans	**1,588,291**	**69,077**	**12,761**	**81,838**	**1,670,129**
Loans to individual business proprietors	**224,641**	**150**	**–**	**150**	**224,791**
Gross of loans and advances to customers	**5,676,376**	**96,174**	**62,733**	**158,907**	**5,835,283**
Less: Allowances for impairment losses	**(126,570)**	**(84,565)**	**(42,733)**	**(127,298)**	**(253,868)**
Net loans and advances to customers	**5,549,806**	**11,609**	**20,000**	**31,609**	**5,581,415**

At December 31, 2013

	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Subtotal	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Micro-lending	2,317,863	31,202	43,522	74,724	2,392,587
Retail Loans	2,118,300	29,561	16,230	45,791	2,164,091
Loans to individual business proprietors	218,405	2,317	–	2,317	220,722
Gross loans and advances to customers	4,654,568	63,080	59,752	122,832	4,777,400
Less: Allowances for impairment losses	(93,931)	(54,223)	(49,344)	(103,567)	(197,498)
Net loans and advances to customers	4,560,637	8,857	10,408	19,265	4,579,902

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of allowances for impairment losses

	At June 30, 2014				
	Allowances for loans and advances	Allowances for impaired loans and advances			
	which are collectively assessed	which are collectively assessed	which are individually assessed	Subtotal	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1	**93,931**	**54,223**	**49,344**	**103,567**	**197,498**
Charge for the period	**32,639**	**36,003**	**6,031**	**42,034**	**74,673**
Transfer out for the period	**–**	**–**	**(12,642)**	**(12,642)**	**(12,642)**
Write-offs	**–**	**(6,390)**	**–**	**(6,390)**	**(6,390)**
Recoveries	**–**	**729**	**–**	**729**	**729**
As at June 30	**126,570**	**84,565**	**42,733**	**127,298**	**253,868**

	At December 31, 2013				
	Allowances for loans and advances	Allowances for impaired loans and advances			
	which are collectively assessed	which are collectively assessed	which are individually assessed	Subtotal	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1	37,241	30,798	15,958	46,756	83,997
Charge for the year	56,690	30,573	33,386	63,959	120,649
Write-offs	–	(7,423)	–	(7,423)	(7,423)
Recoveries	–	275	–	275	275
As at December 31	93,931	54,223	49,344	103,567	197,498

(g) Analysed by credit quality

	At June 30, 2014	At December 31, 2013
	RMB'000	*RMB'000*
Gross balance of loans and advances to customers		
Neither past due nor impaired	**5,627,538**	4,627,546
Overdue but not impaired	**48,838**	27,022
Impaired	**158,907**	122,832
	5,835,283	4,777,400
Less: Allowances for impairment losses		
Neither past due nor impaired	**(119,799)**	(90,296)
Overdue but not impaired	**(6,771)**	(3,635)
Impaired	**(127,298)**	(103,567)
	(253,868)	(197,498)
Net balance		
Neither past due nor impaired	**5,507,739**	4,537,250
Overdue but not impaired	**42,067**	23,387
Impaired	**31,609**	19,265
	5,581,415	4,579,902

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Unlisted available-for-sale equity instrument	**9,741**	9,593
Wealth management products	**40,000**	–
	49,741	9,593

12 FIXED ASSETS

	Buildings held for own use *RMB'000*	**Motor vehicles** *RMB'000*	**Office and other equipments** *RMB'000*	**Leasehold improvements** *RMB'000*	**Construction in process** *RMB'000*	**Total fixed assets** *RMB'000*
Cost:						
At January 1, 2013	41,438	19,947	20,664	29,628	519	112,196
Additions	213,708	4,373	6,712	8,295	7,421	240,509
Transfer in/(out)	–	–	3,673	–	(3,673)	–
Disposals	–	(1,130)	(943)	–	–	(2,073)
At December 31, 2013 and at January 1, 2014	255,146	23,190	30,106	37,923	4,267	350,632
Additions	6,474	1,405	7,227	16,242	15,286	46,634
Disposals	–	(1,305)	(211)	–	–	(1,516)
At June 30, 2014	261,620	23,290	37,122	54,165	19,553	395,750
Accumulated depreciation:						
At January 1, 2013	(2,404)	(7,336)	(7,412)	(13,600)	–	(30,752)
Charge for the year	(2,952)	(4,049)	(4,487)	(9,605)	–	(21,093)
Written back on disposals	–	621	746	–	–	1,367
At December 31, 2013 and at January 1, 2014	(5,356)	(10,764)	(11,153)	(23,205)	–	(50,478)
Charge for the period	(4,145)	(2,093)	(5,536)	(6,043)	–	(17,817)
Written back on disposals	–	844	144	–	–	988
At June 30, 2014	(9,501)	(12,013)	(16,545)	(29,248)	–	(67,307)
Net book value:						
At June 30, 2014	252,119	11,277	20,577	24,917	19,553	328,443
At December 31, 2013	249,790	12,426	18,953	14,718	4,267	300,154

13 INTEREST-BEARING BORROWINGS

The Group's interest-bearing borrowings are analysed as follows:

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Bank loans *(Note (i))*		
– Guaranteed by third parties	**288,000**	440,000
– Unsecured	**188,240**	167,240
– Secured by properties of the Group *(Note (ii))*	**94,000**	97,000
	570,240	704,240
Loans from related parties		
– Unsecured	**–**	20,000
Other loans *(Note (iii))*		
– Unsecured	**82,500**	242,500
	652,740	966,740

Notes:

(i) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants.

(ii) The bank loans are secured by the Group's buildings held for own use. The aggregate carrying value of the secured properties amounted to RMB208.3 million as at June 30, 2014 (December 31, 2013: RMB211.9 million).

(iii) Other loans bear interest at a range from 12% to 15% per annum, are unsecured and are repayable by May 30, 2015.

14 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENT

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Benefit rights of loans and advances to customers	**1,646,971**	797,959

Details of the carrying values of underlying assets of financial assets under repurchased agreement are set out in Note 10(a).

15 LIABILITIES FROM GUARANTEES

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Deferred income	**454,533**	423,794
Provision for guarantee losses *(Note 15(a))*	**469,080**	429,199
	923,613	852,993

15 LIABILITIES FROM GUARANTEES (CONTINUED)

(a) Provision for guarantee losses

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
At the beginning of the period/year	**429,199**	280,215
Charge for the period/year	**39,881**	148,984
At the end of the period/year	**469,080**	429,199

16 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES

(a) Customer pledged deposits

Customer pledged deposits refer to deposits received from customers as collateral security of the credit guarantee issued by the Group. These deposits are interest-free, and will be returned to customers after the guarantee contracts expire.

(b) Accruals and other payables

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Accrued staff cost		
– Salaries, wages, bonuses and other benefits	**51,477**	62,670
– Contribution to retirement scheme	**13**	51
Interest payables	**1,355**	2,720
Other payables	**110,007**	19,362
Financial liabilities measured at amortised cost	**162,852**	84,803
Business tax and other surcharges payable	**12,626**	16,688
Receipts in advance	**179,665**	231,377
Total	**355,143**	332,868

17 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Chongqing Huitai Company Limited ("Huitai") was established as the Group's vehicle for implementing a share-based incentive scheme (the "Share Incentive Scheme") to provide share incentive to the senior management of the Group. On June 20, 2013 (the "Grant Date"), details of the Share Incentive Scheme were finalised under which 15 directors, supervisors and senior management of the Company (the "Grantees") were granted entitlement to shares of the Company through their equity interests in Huitai (the "share awards") at a discounted price. The share awards would vest in instalments on a monthly basis over the 8-year service period from January 1, 2013 to December 31, 2020. When a Grantee terminates his/her employment with the Group, any unvested portion of benefits will be reallocated to the remaining Grantees in proportion to their then respective interests in Huitai.

Huitai held 7.88% of the equity interests of the Company on the Grant Date for the purpose of the Share Incentive Scheme and did not carry out any other business.

17 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions
Awards granted to directors and supervisors:		
– on June 20, 2013	193,918,615	Every month from January 1, 2013 to December 31, 2020
Awards granted to employees: – on June 20, 2013	76,351,233	Every month from January 1, 2013 to December 31, 2020
Total share awards granted	270,269,848	

(b) The number and weighted average exercise prices of share awards are as follows:

	Six months ended June 30, 2014	
	Weighted average exercise price RMB	*Number of shares*
Outstanding at the beginning of the period	**0.42**	**270,269,848**
Granted during the period	**–**	**–**
Exercised during the period	**–**	**–**
Outstanding at the end of the period	**0.42**	**270,269,848**
Exercisable at the end of the period	**0.42**	**50,675,597**

(c) Fair value of share awards and assumptions

The fair value of services received in return for share awards granted is measured by reference to the fair value of share awards granted. The Company accounts for the Share Incentives Scheme on the basis of the pool of shares granted rather than treating the individual Grantee as the unit of account. The fair value of the total pool of shares is measured at the Grant Date with the non-vesting condition effectively ignored for valuation purposes. Subsequent forfeitures and reallocations would have no effect on the accounting treatment and the measurement of share awards granted to management. The estimate of the fair value of the share awards granted is measured based on a Cox-Ross-Rubinstein Binomial Pricing model. The contractual life of the share awards is used as an input into this model.

17 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share awards and assumptions (continued)

Fair value of share awards and assumptions	**Share awards granted on June 20, 2013**
Fair value at measurement date (RMB)	1.77
Share price (RMB)	2.26
Exercise price (RMB)	0.53
Expected volatility (expressed as weighted average volatility used in the modelling under Cox-Ross-Rubinstein Binomial Pricing model)	64.30%
Option life (expressed as weighted average life used in the modelling under Cox-Ross-Rubinstein Binomial Pricing model)	7.53
Expected dividend yield	1.30%
Risk-free interest rate	1.45%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share awards), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share awards were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share awards grants.

18 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the period are as follows:

	Deferred tax assets					Deferred tax liabilities		
Deferred tax arising from	**Provision for impairment losses**	**Accrued staff cost**	**Provision of guarantee losses and accruals**	**Fair value adjustments on available-for-sale financial assets**	**Total**	**Government grants**	**Total**	**Net**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2013	25,751	5,540	112,398	–	143,689	(1,353)	(1,353)	142,336
Recognised to the consolidated income statements	56,122	5,817	39,890	–	101,829	1,353	1,353	103,182
Charged to reserves	–	–	–	102	102	–	–	102
At December 31, 2013 and at January 1, 2014	81,873	11,357	152,288	102	245,620	–	–	245,620
Recognised/(credited) to the consolidated income statements *(Note 5)*	31,202	(1,935)	(6,831)	–	22,436	–	–	22,436
Credited to reserves	–	–	–	(37)	(37)	–	–	(37)
At June 30, 2014	113,075	9,422	145,457	65	268,019	–	–	268,019

18 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB279.3 million at June 30, 2014 (December 31, 2013: RMB199.3 million), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in five years since initial occurrence under current tax legislation.

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Company has not distributed any dividend to the shareholders during the six months ended June 30, 2014.

(b) Share capital

The share capital of the Group as at December 31, 2013 and June 30, 2014 represented the share capital of the Company.

1,150,000,000 H shares, par value of RMB1.00 each, were authorised and issued on June 19, 2014.

The registration of such ordinary shares with the relevant authorities of the PRC has not been completed as at June 30, 2014.

(c) Nature and purpose of reserves

(i) Capital/share premium

The capital/share premium represents the difference between the paid-in capital/par value of the shares of the Company and capital injection/proceeds received from the issuance of the shares of the Company.

(ii) Capital reserve

The capital reserve mainly comprises the following:

– the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period;

– the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised.

(iii) Surplus reserve

The surplus reserve represents statutory surplus reserve fund. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance of the PRC after making good prior year's accumulated loss, to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

19 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (continued)

(iv) General reserve

Pursuant to relevant regulations, the Company and its subsidiaries engaged in credit guarantee business are required to set aside a general reserve through appropriations of profit after tax according to 10% of its profit after tax as determined under the Accounting Standard for Business Enterprise and other relevant requirements issued by the Ministry of Finance of the PRC after making good prior year's accumulated loss to cover potential losses against their assets.

While subsidiaries engaged in SME lending business are required to set aside a general reserve through appropriations of profit after tax according to a certain provision ratio of the ending balance of gross risk-bearing assets to cover potential losses against their assets. In principal, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including the unlisted available-for-sale equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

		Fair value measurements as at June 30, 2014 categorised into		
	Fair value at June 30, 2014	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity instrument:				
– Unlisted	**9,741**	–	–	9,741
Wealth management products	**40,000**	–	40,000	–

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at December 31, 2013	Fair value measurements as at December 31, 2013 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity instrument:				
– Unlisted	9,593	–	–	9,593

During the six months ended June 30, 2014, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3 (2013: nil). The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At June 30, 2014	At June 30, 2013
	RMB'000	*RMB'000*
At January 1	**9,593**	10,000
Net unrealised gains or losses recognised in other comprehensive income during the period	**148**	(407)
At June 30	**9,741**	9,593

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at December 31, 2013 and June 30, 2014.

21 COMMITMENTS

(a) Capital commitments outstanding at June 30, 2014 not provided for in the financial statements were as follows:

	At June 30, 2014	At December 31, 2013
	RMB'000	*RMB'000*
Commitments in respect of purchase of fixed assets		
– Contracted for	**25,078**	5,119

21 COMMITMENTS (CONTINUED)

(b) The total future minimum lease payments under non-cancellable operating leases of properties were payable as follows:

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Within 1 year (inclusive)	**75,142**	47,907
After 1 year but within 3 years (inclusive)	**118,649**	29,296
Over 3 years	**78,152**	113,389
Total	**271,943**	190,592

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1-5 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

22 OUTSTANDING GUARANTEES

	At June 30, 2014 *RMB'000*	At December 31, 2013 *RMB'000*
Bank financial guarantees	**15,968,966**	15,893,483
Non-bank financial guarantees	**6,528,775**	4,260,634
Performance guarantees	**758,703**	1,146,118
Maximum amount guarantee	**23,256,444**	21,300,235
Less: customer pledged deposits	**(46,527)**	(78,182)
Net guarantee exposure	**23,209,917**	21,222,053

23 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

	Six months ended June 30,	
	2014 *RMB'000*	2013 *RMB'000*
Key management personnel remuneration	**69,008**	50,233
Interest income	**–**	17
Interest expenses	**–**	(318)
Repayment of short-term interest-bearing borrowing	**–**	(12,000)
Additions of loans and advances to customers	**–**	540
Repaid of loans and advances to customers	**–**	(140)
Releasing guarantee	**–**	(2,000)

23 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other related parties

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
Guarantee income	**14**	554
Interest income	**–**	314
Interest expenses	**(371)**	(6,492)
Additions in interest-bearing borrowings	**–**	150,000
Repayment of interest-bearing borrowings *(Note i)*	**(20,000)**	(412,600)
Additions of loans and advances to customers	**–**	250
Repayment of loans and advances to customers	**–**	(1,977)
Providing guarantee	**20,000**	35,000
Releasing guarantee	**(30,000)**	(20,850)

Notes:

(i) Included a non-cash repayment of RMB266.5 million which was settled as capital injection to the Company by one of its shareholders during the 6 months ended June 30, 2013.

(ii) At June 30, 2014, the outstanding guarantee provided to related parties are RMB20.0 million (December 31, 2013: RMB30.0 million). The balances of other transactions with related parties are disclosed in relevant notes.

24 SUBSEQUENT EVENTS

The Company exercised the over-allotment option and issued an aggregate of 20,000,000 H shares at HK$1.62 per H share, with par value of RMB1.00 each. Such shares were firstly traded on the Main Board of the Stock Exchange of Hong Kong Limited on July 14, 2014.

On August 1, 2014, the Company acquired 90% equity interests of Chongqing Changjiang Financial Factoring Co., Ltd. (重慶長江金融保理有限公司, "Chongqing Changjiang"), from Chongqing City Yu Shang Investment Holding Group Co., Limited (重慶市渝商投資控股集團股份有限公司) at a cash consideration of RMB270.0 million. After this acquisition, Chongqing Changjiang becomes a 90%, non-wholly owned subsidiary of the Company.

On August 1, 2014, the Company acquired 30% equity interests of Chongqing Yuzhong Hanhua Micro-credit Co., Ltd. ("Chongqing Hanhua Micro-credit") from its minority shareholders, Chongqing Yuanda Yinwu Co., Ltd. (重慶市遠大印務有限公司), South China Materials Group Co., Ltd. (華南物資集團有限公司) and Shanghai Baohe Industrial Co., Ltd. (上海寶合實業股份有限公司) at an aggregate consideration of RMB190.7 million. At the same day, the Company also acquired 56% equity interests of Chongqing Hanhua Micro-credit from its wholly-owned subsidiaries, Hanhua Guarantee Corporation Limited and Sichuan Small & Medium-sized Assets Management Co., Ltd. at an aggregate consideration of RMB341.6 million. Upon completion of the above transactions, the Company directly holds 86% of the equity interests of Chongqing Hanhua Micro-credit.

REVIEW REPORT TO THE SHAREHOLDERS OF HANHUA FINANCIAL HOLDING CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 27 which comprises the consolidated statement of financial position of Hanhua Financial Holding Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as of June 30, 2014 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

OTHER MATTERS

Without modifying our review conclusion, we draw to your attention the comparative consolidated statement of profit or loss, the comparative consolidated statement of profit or loss and other comprehensive income, the comparative consolidated statement of changes in equity, and the comparative condensed consolidated cash flow statement for the six months ended June 30, 2013 and the related notes disclosed in the interim financial report have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, HongKong

August 24, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

We principally offer financial products and services to SMEs and microenterprises through our two business lines, credit guarantee and SME lending.

Credit Guarantee

As we continue to improve our efficiency in capital deployment and with our enlarged capital base, our financing guarantee business achieved a steady growth during the six months ended June 30, 2014. The net assets of our credit guarantee business increased by RMB249.9 million, or 7.5%, from RMB3,315.5 million as of June 30, 2013 to RMB3,565.4 million as of June 30, 2014 (As of December 31, 2013: RMB3,506.3 million). The balance of outstanding financing guarantees increased by RMB7,117.5 million, or 46.3%, from RMB15,380.2 million as of June 30, 2013 to RMB22,497.7 million as of June 30, 2014 (As of December 31, 2013: RMB20,154.1 million). As a result, the leverage ratio was 6.3 as at June 30, 2014 as compared to 4.6 as at June 30, 2013 (As at December 31, 2013: 5.7).

Average Guarantee and Consulting Fee Rates

For the six months ended June 30, 2014, our average guarantee and consulting fee rate for financing guarantees, excluding capital preservation public fund guarantees, was 5.5%, which was in line with 5.6% in the six months ended June 30, 2013 (2013: 5.3%).

We started the provision of guarantees for capital preservation funds since July of last year. The fee charged by this new guarantee product was approximately 0.2%. We are generally provided with the right to liquidate the fund if the net value is below 0.95, we will consider liquidating the fund, and therefore our actual risk exposure assumed is generally limited to only 5% of the funds raised.

Our non-financing guarantee business typically involves various types of guarantee depending on the specific type of guarantee, the scale of each project and the performance capability of our customers. Therefore, our average guarantee and consulting fee rates may fluctuate, subject to the type of non-financing guarantees, customers' base and the underlying projects guaranteed during those periods. Our average guarantee and consulting fee rates for non-financing guarantees were 0.4% and 1.5% in the six months ended June 30, 2013 and 2014, respectively. The increase in our average fee rate was a result of the change in structure of our non-financing guarantee business, the reduction of scale in general and the decrease in amount of single business. Our non-financing guarantee business only accounted for 3.3% of the scale of our guarantee business.

Branch Network

During the six months ended June 30, 2014, we had established an office in Hunan Province and had obtained the relevant operating license in that region in June 2014. As of June 30, 2014, we operated our credit guarantee business through our credit guarantee network consisting of four credit guarantee subsidiaries and 20 credit guarantee branch offices in 20 provinces in China, including Chongqing, Sichuan, Yunan, Hubei, Shaanxi, Gansu, Heilongjiang, Jilin, Liaoning, Beijing, Tianjin, Hebei, Shandong, Jiangsu, Shanghai, Anhui, Hunan, Guizhou, Guangxi and Guangdong.

Customers and Guarantee Contracts

By leveraging our extensive credit guarantee network, we have increased the number of our guarantee customers. We served over 3,900 guarantee customers in the six months ended June 30, 2014, representing an increase of over 11.0%, comparing to over 3,500 customers in the six months ended June 30, 2013. The number of our guarantee contracts increased over 10.5%, from over 4,650 in the six months ended June 30, 2013 to over 5,150 in the six months ended June 30, 2014.

Distribution of Guarantees by Geographical Region and Industry

As a percentage of the total balance of our outstanding guarantees, Chongqing, Sichuan and Liaoning were our top three markets, representing 35.6%, 20.3% and 5.4% respectively as at June 30, 2014. As we continue to expand and grow our credit guarantee business in other regions across China, the percentage of total balance of our outstanding guarantees attributable to other regions are expected to increase gradually.

Most of our guarantee customers were operating in the manufacturing and processing, construction, commercial services and household goods industries, contributing about 23.8%, 17.5%, 22.4% and 18.7% to our total outstanding guarantees respectively as of June 30, 2014.

Key Performance Benchmarks

Our overall default rate indicates the quality of our guarantee portfolio and was 1.4% during the six months ended June 30, 2014 as compared to 1.0% during the same period in 2013, due to the default payments we made on behalf of customers in an aggregate amount of RMB158.2 million during the six months ended June 30, 2014 as compared to the default payments in an aggregate amount of RMB75.0 million during the same period in 2013. During the year ended December 31, 2013, the aggregate amount of default payments made by the Company on behalf of customers amounted to RMB258.8 million, representing a default rate of 1.6%.

In 2014, we have conducted a review on our operational flow and adopted some measures to lower the default rate for market research stage, we have raised the entry requirement for customers and have put more effort into on-site research regarding the uncertainties of our customers. For major projects, our risk management department also conducts site visits more frequently, while stepping up efforts in collecting loans from default customers and supporting customers with good performance record, in order to ensure that our customers will repay loans as scheduled. Due to the above measures, our default rate declined from 1.6% as of December 31, 2013 to 1.4% as of June 30, 2014.

Our provision ratio measures the level of reserve we set aside for potential losses based on our total outstanding guarantee balance and was 2.0% as of June 30, 2014 as compared to 1.9% as of June 30, 2013 (2013: 2.0%) due to the generally more challenging economic environment in 2014 as compared to 2013, which prompted us to adopt a prudent bad debt provision policy in order to ensure stable operation and in turn led to a higher ratio.

In line with the changes in our default rate during the six months ended June 30, 2014, our loss ratio which indicates the level of estimated loss for our default payments receivables and is calculated based on impairment losses on default payment receivables divided by guarantee released, was 0.6% during the six months ended June 30, 2014 as compared to 1.1% in 2013 and 0.9% during the six months ended June 30, 2013.

SME Lending

Due to the substantially increased capital base from RMB1,450.0 million as of June 30, 2013 to RMB2,550.0 million as of June 30, 2014, and the gradual relaxation of regulatory capital requirements in our micro and small loan business, our total outstanding micro and small loans increased substantially from RMB2,455.9 million as of June 30, 2013, to RMB4,227.3 million as of June 30, 2014, representing an increase of 72.1% (December 31, 2013: RMB3,354.0 million). As a result, our leverage ratio for our micro and small loans was 1.7 as of June 30, 2014 and 1.7 as of June 30, 2013 (December 31, 2013: 1.5).

Our total outstanding entrusted loans increased from RMB668.7 million as of June 30, 2013 to RMB1,608.0 million as of June 30, 2014, representing an increase of 140.5%, due to the increase in scale of loan as a result of the expansion of geographic coverage of the Company's business and the strong demand of customers.

Interest and Handling Fee Rate

Our average interest and handling fee rate for SME loans was 22.22% in the six months ended June 30, 2014 as compared to 22.53% during the same period in 2013.

Branch Network

During the six months ended June 30, 2014, we had increased our network coverage to include Guiyang. As of June 30, 2014, we had a total of 9 licensed micro and small loan subsidiaries, which are generally allowed to originate loans to borrowers only located within the permitted area, usually a city. As a result, we believe that the continued expansion of our branch network will generally increase our customer base and loan balance.

Customer Base

Corresponding with our expanding micro and small loan network, the number of loan customers we serviced has been increasing from over 10,700 in the six months ended June 30, 2013 to over 11,400 in the six months ended June 30, 2014, representing an increase of approximately 6.5%. The number of our micro and small loans contracts increased 12.4% from over 13,850 in the six months ended June 30, 2013 to over 15,550 in the six months ended June 30, 2014.

Distribution of Loans by Geographical Region and Industry

As at June 30, 2014, we had over 2,300 new customers, a majority of whom are located in Chongqing, Chengdu, Tianjin and Nanning.

Our customers for micro and small loan business primarily operate in the wholesale and retail, and manufacturing and processing industries, representing 40.5% and 18.0% of our outstanding micro and small loans as of June 30, 2014 respectively.

Key Performance Benchmarks

Our impaired micro and small loans increased from RMB59.0 million as of June 30, 2013, to RMB111.4 million as of June 30, 2014, representing an increase of 88.8%, generally in line with the substantial increase in the total balance of our outstanding micro and small loans on the respective period ends. Our impaired micro and small loan ratio, which indicates the quality of our loan portfolio, increased from 2.4% as of June 30, 2013 to 2.6% as of June 30, 2014. As of June 30, 2013 and June 30, 2014, our non-performing loan rate was 2.3% and 2.7%, respectively (As of December 31, 2013: 2.6%).

Our allowance coverage ratio of micro and small loans, which indicates the level of allowance we set aside to cover probable loss in our loan portfolio, increased from 152.2% as of June 30, 2013, to 170.4% as of June 30, 2014 (December 31, 2013: 166.0%). The Company has adopted a prudent bad debt provision policy in order to ensure stable operation and in turn led to a higher ratio. Such increase is generally consistent with the increase of allowance to loan ratios reported by some sizeable commercial banks in China in recent years. As such, we believe that our provisions for impairment losses were adequate.

Financial Review

Net Fee and Interest Income

Our net fee and interest income increased by RMB332.3 million, or 49.3%, from RMB674.7 million in the six months ended June 30, 2013 to RMB1,007.0 million in six months ended June 30, 2014. Such increase was primarily attributable to (i) a 14.2% increase in our net guarantee and consulting fee income; and (ii) a 107.9% increase in our net interest and handling fee income. In the six months ended June 30, 2014, we deployed more of our funding to increase the capital base of our SME lending business than our credit guarantee business, which resulted in a significantly larger portfolio in our SME lending business as of June 30, 2014.

Net Guarantee and Consulting Fee Income

We generate guarantee and consulting fees in return for the guarantees and consulting services we provide. Our net guarantee and consulting fee income increased by RMB59.9 million, or 14.2%, from RMB422.2 million in the six months ended June 30, 2013 to RMB482.1 million in the six months ended June 30, 2014, due primarily to an increase in our guarantee portfolio.

- The average balance of our bank financing guarantees increased by RMB3,161.1 million, or 24.8%, from RMB12,771.1 million in the six months ended June 30, 2013 to RMB15,932.2 million in six months ended June 30, 2014.

- The average balance of our non-bank financing guarantees increased by RMB2,909.6 million, or 132.2%, from RMB2,201.4 million in the six months ended June 30, 2013 to RMB5,111.0 million in six months ended June 30, 2014.

- The average balance of our contract bonds decreased by RMB126.1 million, or 33.5%, from RMB376.0 million in the six months ended June 30, 2013 to RMB249.9 million in six months ended June 30, 2014.

- The average balance of our attachment bonds decreased by RMB485.4 million, or 40.3%, from RMB1,205.3 million in the six months ended June 30, 2013 to RMB719.9 million in six months ended June 30, 2014.

Net Interest and Handling Fee Income

We generate interest and handling fee income mainly from the micro and small loans and entrusted loans we provide to customers. Our net interest and handling fee income is net of our interest expenses and certain service commission fees. We incur interest expenses on bank borrowings and financial assets sold under repurchase agreements to obtain additional funding principally to expand our micro and small loan business and meet working capital requirements. We also pay service commission fees to third party agents for settlement services and over-the-counter trading platform for repurchase transactions.

Our net interest and handling fee income increased by RMB272.4 million, or 107.9%, from RMB252.5 million in the six months ended June 30, 2013 to RMB524.9 million in six months ended June 30, 2014, due primarily to a significant increases in our loan portfolio.

- The average balance of our micro and small loans increased by RMB1,273.7 million, or 52.2%, from RMB2,440.2 million in the six months ended June 30, 2013 to RMB3,713.9 million in six months ended June 30, 2014.

- The average balance of our entrusted loans increased by RMB865.1 million, or 134.8%, from RMB642.0 million in the six months ended June 30, 2013 to RMB1,507.1 million in six months ended June 30, 2014.

Other Revenue

Our other revenue primarily consists of government grants. Our other revenue increased by RMB1.9 million, or 50.0%, from RMB3.8 million in the six months ended June 30, 2013 to RMB5.7 million in six months ended June 30, 2014, due primarily to an increase in government grants by RMB1.9 million.

Provisions for Guarantee Losses

Provisions for guarantee losses primarily reflect our management's estimate on the level of provisions that are adequate to our credit guarantee business based on the growth of our guarantee portfolio and past experience. Our provisions for guarantee losses decreased by RMB1.1 million, or 2.7%, from RMB41.0 million in the six months ended June 30, 2013 to RMB39.9 million in six months ended June 30, 2014.

Provision ratio for guarantee losses indicates the level of reserve we set aside for our guarantee portfolio. Provision ratio for guarantee losses is calculated by dividing our provision for guarantee losses at a period end with the balance of the outstanding guarantee at a period end. Our provision ratio for guarantee losses was 1.9%, 1.9%, 2.0% and 2.0% as of December 31, 2012, June 30, 2013, December 31, 2013 and June 30, 2014, respectively.

Impairment Losses

Impairment losses include provisions we make in relation to (i) default payment receivables, which reflect the balance of the default payments in our credit guarantee business; and (ii) loans and advances to customers in our SME lending business. Our impairment losses increased by RMB39.6 million, or 38.7%, from RMB102.3 million in the six months ended June 30, 2013 to RMB141.9 million in the six months ended June 30, 2014 due primarily to an increase in our SME lending business portfolio and an increase in our default payments made during the six months ended June 30, 2014.

Administrative Expenses

Administrative expenses increased by RMB117.5 million, or 39.1%, from RMB300.3 million in the six months ended June 30, 2013 to RMB417.8 million in six months ended June 30, 2014, due primarily to increases in our staff costs and other administrative expenses.

- Our staff costs increased by RMB62.0 million, or 43.3%, from RMB143.1 million in the six months ended June 30, 2013 to RMB205.1 million in the six months ended June 30, 2014, due primarily to (i) non-cash share-based payment expenses of RMB67.1 million recorded in the six months ended June 30, 2014 relating to our share incentive scheme in June 2013 while only RMB49.3 million was recorded during the six months ended June 30, 2013; and (ii) an increase in headcount from 1,460 as of June 30, 2013 to 1,861 as of June 30, 2014, which contributed to a RMB44.2 million, or 47.2% increase in salaries, wages, bonuses and other benefits paid to our employees.

- Our administrative expenses increased by RMB55.5 million, or 35.3%, from RMB157.2 million in the six months ended June 30, 2013 to RMB212.7 million in six months ended June 30, 2014. The increase was due primarily to (i) expansion in business operations and geographic coverage and additional office spaces, which contributed to a RMB31.6 million increase in miscellaneous expenses, such as travel, office and advertisement expenses; (ii) the increase in third-party professional service fees of RMB10.6 million in relation to our initial public offering; and (iii) an increase of RMB13.3 million in business tax and surcharges.

Profit Before Taxation and Profit Margin Before Taxation

As a result of the foregoing, our profit before taxation increased by RMB178.6 million, or 76.2%, from RMB234.3 million in the six months ended June 30, 2013 to RMB412.9 million in six months ended June 30, 2014. Our profit margin before taxation was 34.7% and 41.0% for the six months ended June 30, 2013 and 2014, respectively.

- Our profit before taxation increased due primarily to an increase in the scale of our SME lending business portfolio resulting in a significant increase in our net interest and handling fee income.

- While our impairment losses and administrative expenses increased, the rate of increase was not as significant as the increase in our net fee and interest income.

Net Profit and Net Profit Margin

Our net profit increased by RMB139.4 million, or 78.1%, from RMB178.6 million in the six months ended June 30, 2013 to RMB318.0 million in six months ended June 30, 2014. Our net profit margin was 26.5% and 31.6% for the six months ended June 30, 2013 and 2014, respectively.

Prospects

Building on a strong performance in the first half of 2014, improving general economic environment of the PRC, our successful listing on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 2014 and enlarged capital base resulting therefrom, we are well positioned to pursue further growth for both our credit guarantee and SME lending business in the second half of 2014. While the signs of general economic recovery in China are still relatively fragile as considered by some, we believe the continued strong demand for financing by China's SME segment will continue to lend positive support to the financing guarantee and small loan industries in the foreseeable future. We also continued to see a generally favorable regulatory environment promoting the sustainability and long term development of credit guarantee and small loan companies in China, thereby enabling companies like us to play a bigger role in helping SMEs with financing needs.

On August 1, 2014, we have entered into an agreement to acquire 90% equity interests of a financial factoring business, which if completed will represent a good business opportunity to further diversify the Group's product offering. On the same date, we also entered into an agreement to increase our equity interest of a key small loan subsidiary, Chongqing Yuzhong Hanhua Micro-credit Co., Ltd.* (重慶市渝中區瀚華小額貸款有限責任公司, "Chongqing Micro-Credit") from 56% to 86%, which if completed will further enhance our control and increase our share in its financial results. Both these acquisitions are in line with our long term development strategies. We will continue to steadfastly and methodically implement the strategies as set out in the prospectus of the Company dated June 3, 2014 (the "Prospectus"), as we continue to build to become a premier diversified and integrated financial services company in China, focusing on meeting the diverse financing and business needs of SMEs. The Company is preparing for the commencement of discussion regarding the online financial business actively, applying for more licenses of financial service business and strengthening the operation management system with an aim to gradually develop into a financial holding group engaging in eight key business segments, namely guarantee, small loans, banking, factoring, leasing, online financial, investment and asset management, in the coming few years.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

In the six months ended June 30, 2014, we completed our initial public offering of 1,150,000,000 H shares. As of June 30, 2014, our share capital was RMB4,580,000,000 comprising 3,430,000,000 domestic shares and 1,150,000,000 H shares, both with a par value of RMB1.00 per share. An additional 20,000,000 H shares were issued pursuant to the over-allotment option, and firstly traded on the Stock Exchange of Hong Kong Limited on July 14, 2014.

Liquidity and Capital Resources

We have in the past funded our working capital and other capital requirements primarily by equity contribution from shareholders, bank borrowings and cash flows generated from operations. Our liquidity and capital requirements primarily relate to extending micro and small loans and entrusted loans, making default payments, maintaining security deposits at banks and other working capital requirements.

As referred to in the announcements of our Company dated June 18, 2014 and July 10, 2014, our estimated net proceeds from the initial public offering together with the partial exercise of the over-allotment option amounted to approximately RMB1,502.4 million in aggregate. We intend to use approximately 70% to increase the capital base of our micro and small loan business, 20% to increase the capital base of our credit guarantee business and 10% for product development and working capital.

As of June 30, 2014, our cash and cash equivalent was RMB2,326.7 million.

Indebtedness

As of June 30, 2014, our total outstanding borrowings amounted to RMB652.7 million.

Off-Balance Sheet Arrangements

We are a party to guarantee contracts with off-balance-sheet risk in the ordinary course of our business. The contract amount reflect the extent of our involvement in the credit guarantee business and also represent our maximum exposure to credit loss. As of June 30, 2014, our outstanding guarantee totaled RMB23,256.4 million.

We have no other off-balance sheet arrangements.

INTERIM DIVIDEND

The Board have resolved not to declare an interim dividend for the six months ended June 30, 2014.

HUMAN RESOURCES

The total number of staff within the Group at June 30, 2014 and June 30, 2013 was 1,861 and 1,460 respectively. The Company continues to recognize and reward its staff according to the standards as set out in the Prospectus.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2014, the interests or short positions of the Directors, chief executives and supervisors of the Company (the "Supervisors") in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interests in the Company

Name of shareholder	Position	Class of share	Nature of interests	No. of shares held (Shares)	Approximate percentage in relevant class of share (%) [5]	Approximate percentage in total share capital (%) [6]
Tu Jianhua[1]	Director	Domestic Share	Interests of controlled corporation/others	1,472,458,628 (Long position)	42.93	32.15
Wang Fangfei[2]	Director	Domestic Share	Interests of controlled corporation	231,532,653 (Long position)	6.75	5.06
Zhang Guoxiang[3]	Director	Domestic Share	Beneficial owner/ Interests of controlled corporation	273,038,709 (Long position)	7.96	5.96
Liu Jiaoyang	Director	Domestic Share	Beneficial owner	441,159 (Long position)	0.01	0.01
Liu Bolin[4]	Director	Domestic Share	Interests of controlled corporation	120,000,000 (Long position)	3.50	2.62

Name of shareholder	Position	Class of share	Nature of interests	No. of shares held (Shares)	Approximate percentage in relevant class of share (%) [(5)]	Approximate percentage in total share capital (%) [(6)]
Lin Feng	Director	Domestic Share	Beneficial owner	2,058,742 (Long position)	0.06	0.04
Zhou Daoxue	Supervisor	Domestic Share	Beneficial owner	80,145,918 (Long position)	2.34	1.75
Li Ruping	Supervisor	Domestic Share	Beneficial owner	2,205,795 (Long position)	0.06	0.05
Chen Zhonghua	Supervisor	Domestic Share	Beneficial owner	441,159 (Long position)	0.01	0.01

Notes:

1. Mr. Tu Jianhua directly holds 98% of the equity interest of Loncin Group Co., Ltd. ("Loncin Group"), which directly holds 98% of the equity interest of Loncin Holdings Co., Ltd. ("Loncin Holdings"). Mr. Tu Jianhua also directly holds 2% of the remaining equity interest of Loncin Holdings. Accordingly, Mr. Tu Jianhua is deemed to be interested in the 1,202,188,780 domestic shares of the Company ("Domestic Shares") held by Loncin Holdings. Based on the voting arrangement with Chongqing Huitai Investment Co., Ltd. ("Huitai"), Mr. Tu Jianhua is deemed to be able to exercise the voting rights of the 270,269,848 Domestic Shares held by Huitai.

2. Ms. Wang Fangfei directly holds 55% of the equity interest of Chongqing Jiulong Investment Co., Ltd. ("Chongqing Jiulong"), which directly holds 231,532,653 Domestic Shares. Accordingly, Ms. Wang Fangfei is deemed to be interested in the 231,532,653 Domestic Shares held by Chongqing Jiulong.

3. Mr. Zhang Guoxiang directly holds approximately 62.1% of the equity interest of Huitai, which directly holds 270,269,848 Domestic Shares. Accordingly, Mr. Zhang Guoxiang is deemed to be interested in the 270,269,848 Domestic Shares held by Huitai. Mr. Zhang Guoxiang also directly holds 2,768,861 Domestic Shares.

4. Mr. Liu Bolin directly holds 75% equity interest of Sichuan Hongrun Trading Co., Ltd., which directly holds 120,000,000 Domestic Shares. Accordingly, Mr. Liu Bolin is deemed to be interested in 120,000,000 Domestic Shares held by Sichuan Hongrun Trading Co., Ltd.

5. As at June 30, 2014, the issued Domestic Shares and the H shares of the Company ("H Shares") were 3,430,000,000 shares and 1,150,000,000 shares, respectively.

6. As at June 30, 2014, there were 4,580,000,000 shares of the Company in issue.

Save as disclosed above, as at June 30, 2014, none of the Directors, the chief executives of the Company or the Supervisors had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interests in associated corporations

None of the Directors, the chief executives of the Company or the Supervisors had any interests or short positions in any shares, underlying shares and debentures of associated corporations (within the meaning of Part XV of SFO) of the Company.

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

As at June 30, 2014, the persons (not being a Director, chief executive of the Company or Supervisor) or corporations had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO and who were directly and/or indirectly deem to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of shareholder	Class of share	Nature of interests	No. of shares held (Shares)	Approximate percentage in relevant class of share (%)[8]	Approximate percentage in total share capital (%)[9]
Loncin Holdings[1]	Domestic Share	Beneficial owner/ others	1,472,458,628 (Long position)	42.93	32.15
Loncin Group[2]	Domestic Share	Interests of controlled corporation/others	1,472,458,628 (Long position)	42.93	32.15
Huitai	Domestic Share	Beneficial owner	270,269,848 (Long position)	7.88	5.90
Chongqing Jiulong	Domestic Share	Beneficial owner	231,532,653 (Long position)	6.75	5.06
Wang Mingyue	Domestic Share	Beneficial owner	269,824,593 (Long position)	7.87	5.89
China Galaxy Financial Holdings Company Limited[3][7]	H Share	Interests of controlled corporation	80,000,000 (Long position) 80,000,000 (Short position)	6.96	1.75
China Galaxy Securities Co., Ltd.[3][7]	H Share	Interests of controlled corporation	80,000,000 (Long position) 80,000,000 (Short position)	6.96	1.75
China Galaxy International Financial Holdings Company Limited[3][7]	H Share	Interests of controlled corporation	80,000,000 (Long position) 80,000,000 (Short position)	6.96	1.75

Name of shareholder	Class of share	Nature of interests	No. of shares held (Shares)	Approximate percentage in relevant class of share (%)[8]	Approximate percentage in total share capital (%)[9]
China Galaxy International Securities (Hong Kong) Co., Limited[(3)(7)]	H Share	Interest held jointly with another person	80,000,000 (Long position) 80,000,000 (Short position)	6.96	1.75
China International Capital Corporation Limited[(4)(7)]	H Share	Interests of controlled corporation	80,912,000 (Long position) 80,000,000 (Short position)	7.04	1.77
China International Capital Corporation (Hong Kong) Limited[(4)(7)]	H Share	Interests of controlled corporation	80,912,000 (Long position) 80,000,000 (Short position)	7.04	1.77
China International Capital Corporation Hong Kong Securities Limited[(4)(7)]	H Share	Beneficial owner/ Interest held jointly with another person	80,912,000 (Long position) 80,000,000 (Short position)	7.04	1.77
Credit Suisse Group AG[(5)(7)]	H Share	Interests of controlled corporation	80,000,000 (Long position) 80,000,000 (Short position)	6.96	1.75
Credit Suisse (Hong Kong) Limited[(5)(7)]	H Share	Interest held jointly with another person	80,000,000 (Long position) 80,000,000 (Short position)	6.96	1.75
GF Holdings (Hong Kong) Corporation Limited[(6)(7)]	H Share	Interest held jointly with another person	80,000,000 (Long position) 80,000,000 (Short position)	6.96	1.75
GF Securities (Hong Kong) Brokerage Limited[(6)(7)]	H Share	Interest held jointly with another person	80,000,000 (Long position) 80,000,000 (Short position)	6.96	1.75

Notes:

1. Loncin Holdings directly holds 1,202,188,780 Domestic Shares. Based on the voting arrangement with Huitai, Loncin Holdings is deemed to be able to exercise the voting rights of the 270,269,848 Domestic Shares held by Huitai.

2. Loncin Group directly holds 98% of the equity interest of Loncin Holdings, which directly holds 1,202,188,780 Domestic Shares. Accordingly, under the SFO, Loncin Group is deemed to be interested in the 1,202,188,780 Domestic Shares held by Loncin Holdings. Based on the voting arrangement with Huitai, Loncin Group is deemed to be able to exercise the voting rights of the 270,269,848 Domestic Shares held by Huitai.

3. China Galaxy International Securities (Hong Kong) Co., Limited holds 80,000,000 H Shares (Long position) and 80,000,000 H Shares (Short position). The shareholder of China Galaxy International Securities (Hong Kong) Co., Limited is China Galaxy International Financial Holdings Company Limited, which is wholly-owned by China Galaxy Securities Co., Ltd.. China Galaxy Financial Holdings Company Limited holds the entire equity of China Galaxy Securities Co., Ltd.. According to the SFO, China Galaxy International Financial Holdings Company Limited, China Galaxy Securities Co., Ltd. and China Galaxy Financial Holdings Limited are deemed to be interested in 80,000,000 H Shares (Long position) and 80,000,000 H Shares (Short position) held by China Galaxy International Securities (Hong Kong) Co., Limited.

4. China International Capital Corporation Limited holds the entire equity of China International Capital Corporation (Hong Kong) Limited, which holds the entire equity of China International Capital Corporation Hong Kong Securities Limited. According to the SFO, China International Capital Corporation Limited and China International Capital Corporation (Hong Kong) Limited are deemed to be interested in 80,912,000 H Shares (Long position) and 80,000,000 H Shares (Short position) held by China International Capital Corporation Hong Kong Securities Limited. 912,000 H Shares (Long position) of which are held by China International Capital Corporation Hong Kong Securities Limited in the capacity of beneficial owner.

5. Credit Suisse (Hong Kong) Limited is a wholly-owned subsidiary of Credit Suisse Group AG. According to the SFO, Credit Suisse Group AG is deemed to be interested in 80,000,000 H Shares (Long position) and 80,000,000 H Share (Short position) held by Credit Suisse (Hong Kong) Limited.

6. GF Securities (Hong Kong) Brokerage Limited is a wholly-owned subsidiary of GF Holdings (Hong Kong) Corporation Limited. According to the SFO, GF Holdings (Hong Kong) Corporation Limited is deemed to be interested in 80,000,000 H Shares (Long position) and 80,000,000 H Share (Short position) held by GF Securities (Hong Kong) Brokerage Limited.

7. 80,000,000 H Shares (Long position) and 80,000,000 H Shares (Short position) relate to the same batch of Shares. Such batch of shares is jointly held by China Galaxy International Securities (Hong Kong) Company Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and GF Securities (Hong Kong) Brokerage Limited.

8. As at 30 June 2014, the issued Domestic Shares and the H Shares were 3,430,000,000 shares and 1,150,000,000 shares, respectively.

9. As at 30 June 2014, there were 4,580,000,000 shares of the Company in issue.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors nor Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the six months ended June 30, 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from June 19, 2014, the date of listing on the Stock Exchange (the "Listing Date") to June 30, 2014, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") comprised two independent non-executive Directors, namely Mr. Qian Shizheng and Mr. Yuan Xiaobin and one non-executive Director, Ms. Liu Jiaoyang. Mr. Qian Shizheng is the chairman of the Audit Committee. The unaudited consolidated interim financial information for the six months ended June 30, 2014 has been reviewed by the Audit Committee. This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

The Board comprises two executive Directors, eight non-executive Directors and five independent non-executive Directors. The Board has adopted the code provisions ("Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. During the period from the Listing Date to June 30, 2014, the Company has complied with the Code Provisions except for the following deviation:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Zhang Guoxiang ("Mr. Zhang") is currently performing both the roles of chairman and president of the Group. Taking into account that Mr. Zhang has been serving in the Group since its establishment in 2004 and the key roles that Mr. Zhang and the management team have been assuming, as well as his high commitment to the setting up and management of the business operation and business decision of the Company and the strategic development plans of the Group. The Board considered that the roles of chairman and president being performed by Mr. Zhang enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with the Code Provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and president separately.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company have adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of practice for carrying out securities transactions by the Company's Directors and Supervisors. After specific enquiry with all members of the Board and Supervisors, they have confirmed fully compliance with the relevant standards stipulated in the Model Code during the period from the Listing Date to June 30, 2014.

CHANGES OF INFORMATION OF DIRECTORS AND SUPERVISORS

The Directors and Supervisors confirmed that there is no information which is discloseable pursuant to the requirements under Rule 13.51B of the Listing Rules.

INTEREST OF DIRECTORS AND SUPERVISORS IN A COMPETING BUSINESS

None of the Directors, the Supervisors or the management shareholders and their respective associates had an interest in a business which competes or may compete with the business of the Group.

EVENTS AFTER THE REPORTING PERIOD

(1) Acquisition of a Financial Factoring Company

On August 1, 2014, the Company, Chongqing City Yu Shang Investment Holding Group Co., Limited* (重慶市渝商投資控股集團股份有限公司) and Chongqing Chang Jiang Financial Holding Group Co., Limited* (重慶長江金控集團有限公司) (as original (and remaining) minority shareholder of the Chongqing Changjiang Financial Factoring Co., Ltd.* (重慶長江金融保理有限公司, "Chongqing Changjiang")) entered into the sale and purchase agreement, pursuant to which the Company agreed to acquire, the sales interests, being 90% of the equity interests in Chongqing Changjiang, at an aggregate consideration of RMB270.0 million (approximately HK$337.5 million).

This transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the transaction exceed 0.1% but are less than 5%, this transaction is subject to announcement and reporting but is exempt from independent shareholders' approval requirements under the Listing Rules. Further details of this transaction are set out in the Company's announcement dated August 1, 2014. At the date of approval of these condensed interim consolidated financial statements, this transaction has not yet been completed.

(2) Acquisition of Further Equity Interests in a Subsidiary Company

On August 1, 2014, the Company entered into total three share transfer agreements with each of the Chongqing Yuanda Yinwu Co., Ltd.* (重慶市遠大印務有限公司), South China Materials Group Co., Ltd.* (華南物資集團有限公司) and Shanghai Baohe Industrial Co., Ltd.* (上海寶合實業股份有限公司), who held as to 10%, 10% and 10% of the equity interests in Chongqing Micro-credit (collectively as the "Vendors") respectively as at the date of August 1, 2014, pursuant to which, the Company has conditionally agreed to acquire and the Vendors have each conditionally agreed to sell, in aggregate, their entire 30% equity interests in Chongqing Micro-credit for an aggregate consideration of RMB190.7 million (equivalent to approximately HK$238.3 million) ("Vendor Acquisition").

In order to simplify the shareholding structure of the Group, on August 1, 2014, the Company also entered in to total two share transfer agreements with each of Hanhua Guarantee Corporation Limited* (瀚華擔保股份有限公司, "Hanhua Guarantee") and Sichuan Small & Medium-sized Assets Management Co., Ltd.* (四川中微資產管理有限公司, "Sichuan Assets Management"), both wholly-owned subsidiaries of the Company, to transfer the entire 56% equity interests in Chongqing Micro-credit (held as to 50% by Hanhua Guarantee and 6% by Sichuan Assets Management as at the date of August 1, 2014) back to the Company.

This transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. In addition, as each of the Vendors held as to 10% equity interests in Chongqing Micro-credit, the Vendors are therefore regarded as connected persons of the Company under Chapter 14A of the Listing Rules and the Vendor Acquisition constitutes connected transactions under the Listing Rules. The Vendor Acquisition is however a connected transaction between the Company and the Vendors who are only connected at the subsidiary level. On the basis that a meeting of the Board was convened on August 1, 2014 to consider and approve the Vendor Acquisition whereby (i) the Directors have approved the Vendor Acquisition (none of the Directors have a material interest in the Vendor Acquisition); and (ii) the independent non-executive Directors have confirmed that the terms of the Vendor Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. The Vendor Acquisition is accordingly exempt from the circular, independent financial advice and shareholders' approval requirements under both rule 14A.76(2) and rule 14A.101 of the Listing Rules.

Further details of this transaction are set out in the Company's announcement dated August 1, 2014. At the date of approval of these condensed interim consolidated financial statements, this transaction has not yet been completed.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2014 interim report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board of
Hanhua Financial Holding Co., Ltd.*
Zhang Guoxiang
Chairman of the Board

Beijing, PRC, August 24, 2014

As at the date of this announcement, the executive Directors are Mr. ZHANG Guoxiang and Mr. LIN Feng; the non-executive Directors are Mr. TU Jianhua, Mr. DUAN Xiaohua, Ms. LIU Jiaoyang, Ms. LIU Tingrong, Ms. WANG Fangfei, Mr. FENG Yongxiang, Mr. ZHOU Xinyu and Mr. LIU Bolin; and the independent non-executive Directors are Mr. BAI Qinxian, Mr. DENG Zhaoyu, Mr. QIAN Shizheng, Mr. NG Leung Sing and Mr. YUAN Xiaobin.

* *For identification purpose only*