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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Highlights:

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

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

The board of directors (the "**Board**") of China Huirong Financial Holdings Limited (the "**Company**") hereby announces the interim results of the Company and its subsidiaries for the six months ended 30 June 2014 as follows:

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Interest income	*6*	**188,200**	119,563
Interest expense	*7*	**(25,442)**	(8,586)
Net interest income		**162,758**	110,977
Other operating income, net	*11*	**1**	115
Net revenue		**162,759**	111,092
Administrative expenses	*8*	**(33,906)**	(24,377)
Net charge of impairment allowance on loans to customers	*18(c)*	**(22,027)**	(1,066)
Other gains, net	*10*	**5,618**	374
Profit before income tax		**112,444**	86,023
Income tax expense	*12*	**(35,506)**	(22,046)
Profit for the period, attributable to the equity holders of the Company		**76,938**	63,977
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period, attributable to the equity holders of the Company		**76,938**	63,977
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
— Basic and diluted earnings per share	*13*	**0.08**	0.10
Dividends	*14*	**—**	—

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**2,226**	2,566
Intangible assets		**303**	321
Deferred income tax assets	*16*	**6,864**	1,721
		9,393	4,608
Current assets			
Other assets	*17*	**14,316**	3,379
Loans to customers	*18*	**1,515,371**	750,114
Amounts due from related parties	*24(c)*	**—**	500,000
Cash at bank and on hand	*19*	**742,474**	816,845
		2,272,161	2,070,338
Total assets		**2,281,554**	2,074,946
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital	*20*	**8,111**	8,111
Share premium	*21*	**592,720**	592,720
Other reserves	*21*	**534,821**	534,365
Retained earnings		**272,081**	195,143
Total equity		**1,407,733**	1,330,339

	Note	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	*16*	**5,182**	—
		5,182	—
Current liabilities			
Other liabilities	*22*	**10,019**	14,074
Current income tax liabilities		**21,477**	9,838
Amounts due to related parties	*24(c)*	**633**	2,582
Bank borrowings	*23*	**836,510**	718,113
		868,639	744,607
Total liabilities		**873,821**	744,607
Total equity and liabilities		**2,281,554**	2,074,946
Net current assets		**1,403,522**	1,325,731
Total assets less current liabilities		**1,412,915**	1,330,339

NOTES:

1 GENERAL INFORMATION

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

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

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

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

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

These interim consolidated financial statements set out on pages 2 to 22 have been approved and authorised for issue by the Board of the Company on 25 August 2014.

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

2 BASIS OF PREPARATION

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

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

2.1 Going-concern basis

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

(a) Impairment allowances on loans to customers

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

(b) Income taxes

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

(c) Contractual Agreements

Under the relevant rules and regulations prevailing in the PRC, wholly foreign-owned enterprises are not allowed to operate pawn-loan business in China. The current registered equity holders of Wuzhong Pawnshop are Wuzhong Jiaye and Hengyue Consulting. The Group's wholly owned subsidiary Huifang Tongda entered into a series of Contractual Agreements with Wuzhong Pawnshop, Wuzhong Jiaye, Hengyue Consulting and the equity holders of Wuzhong Jiaye and Hengyue Consulting. Such Contractual Agreements include: (i) a proxy agreement where Wuzhong Jiaye and Hengyue Consulting have irrevocably and unconditionally undertaken to authorise Huifang Tongda to exercise their shareholders' rights under the articles of association of the Wuzhong Pawnshop and applicable PRC laws and regulations; (ii) an exclusive management and consultation service agreement pursuant to which Wuzhong Pawnshop engaged Huifang Tongda on an exclusive basis to provide consultation and other ancillary services, and in return Wuzhong Pawnshop agreed to pay Huifang Tongda the consultancy service fee; (iii) exclusive call option agreement pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Tongda an option to acquire the entire equity interest held by

Wuzhong Jiaye and Hengyue Consulting in the Wuzhong Pawnshop and/or all assets of the Wuzhong Pawnshop at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations; and (iv) equity pledge agreement pursuant to which the Ultimate Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda for guaranteeing the performance of the above the proxy agreement, exclusive management and consultation service agreement, and the exclusive call option agreement. Pursuant to these agreements and undertakings, notwithstanding the fact that the Group does not hold direct equity interest in Wuzhong Pawnshop, management considers that the Group has power over the financial and operating policies of Wuzhong Pawnshop and receive a majority of the economic benefits from its business activities. Accordingly, Wuzhong Pawnshop has been treated as an indirect subsidiary of the Company.

5 SEGMENT INFORMATION

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

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

6 INTEREST INCOME

The Group

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income from loans to customers		
Real estate backed pawn loans	**90,883**	71,823
Equity interest backed pawn loans	**63,352**	41,480
Personal property backed pawn loans	**15,105**	4,471
Entrusted loans	**7,856**	—
Interest income from bank deposits	**11,004**	1,789
	188,200	119,563

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

7 INTEREST EXPENSE

The Group

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

8 ADMINISTRATIVE EXPENSES

The Group

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

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

9 EMPLOYEE BENEFIT EXPENSES

The Group

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

10 OTHER GAINS, NET

The Group

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

11 OTHER OPERATING INCOME, NET

The Group

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

12 INCOME TAX EXPENSE

The Group

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

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

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

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

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

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profits tax rate is 16.5% for six months ended 30 June 2014 (for the six months ended 30 June 2013: 16.5%).

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

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group accrued for PRC withholding tax with amount of RMB5,182 thousand based on the tax rate of 10% on a portion of the earnings generated by certain PRC entities for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil). The Group controls the dividend policies of these subsidiaries and it has been determined that a majority of these earnings will probably not be distributed in the foreseeable future.

13 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Dilutive earnings per share

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

14 DIVIDEND

No dividend has been paid or declared by the Company since its incorporation. No dividends have been paid or declared by any of the companies comprising the Group for the six months ended 30 June 2014 (for the six months ended 30 June 2013: same).

15 PROPERTY, PLANT AND EQUIPMENT

The Group

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

The Group's depreciation charges of property, plant and equipment have all been included in administrative expenses for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Same).

16 DEFERRED INCOME TAX

The Group

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

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

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

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

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

17 OTHER ASSETS

The Group

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

18 LOANS TO CUSTOMERS

The Group

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

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

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

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

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

(a) Aging analysis of loans to customers

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

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

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

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

(c) Net charge on loans to customers

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

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

19 CASH AT BANK AND ON HAND

The Group

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

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

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

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

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

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

20 SHARE CAPITAL

The Group and the Company

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

(a) On 6 October 2013, resolutions were passed by the shareholders of the Company to split the originally issued 780,000 shares into 650,000,000 shares upon the Global Offering, of a par value of HK$0.01 each. The 642,200,000 new shares, amounting to HK$6,422 thousand (equivalent to RMB5,080 thousand), were subsequently issued and allotted to the holders of the shares whose names appeared on the register of members at the close of business on 28 October 2013 in the same proportion as their then shareholdings in the Company. Issue of the new shares was made out of the share premium account.

(b) On 20 November 2013, the Company issued 375,236,000 ordinary shares of HK$0.01 each at HK$2.18 per share in connection with the Global Offering, and raised gross proceeds of approximately HK$818,014 thousand (equivalent to RMB647,115 thousand). The excess of RMB644,147 thousand over the par value of RMB2,968 thousand for the 375,236,000 ordinary shares issued, net of the relevant incremental costs of RMB46,348 thousand directly contributable to the new shares issued, was credited to "share premium" with amount of RMB597,800 thousand (Note 21).

(c) On 28 October 2013, the Company issued 1,000 ordinary shares of HK$0.01 each at HK$2.18 per share in connection with the overallotment, and raised gross proceeds of approximately HK$2,180 (equivalent to RMB1,725). The excess of RMB1,717 over the par value of RMB8 for the 1,000 ordinary shares issued, was credited to "share premium" with amount of RMB1,717 (Note 21).

21 SHARE PREMIUM AND OTHER RESERVES

The Group

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

(a) Value of employee services

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

22 OTHER LIABILITIES

The Group

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

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

23 BANK BORROWINGS

The Group

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

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

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

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

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

The Group's borrowings are denominated in RMB.

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

24 RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

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

(b) Significant transactions with related parties

The Group

The Group had the following significant transactions with related parties:

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

(c) Balances with related parties

The Group

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

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

(d) Key management compensation

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review and Development

Our principal activity is to provide our customers with an alternative financing channel that is quick and convenient as compared to traditional bank loans, by granting pawn loans secured by real estate, equity interest or personal property collateral, the initial terms of which are six months or less. Besides, for the six months ended 30 June 2014, we provided a new form of loan which is called entrusted loans.

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

1.1 *Pawn Loans*

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

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

1.2 *Entrusted loans*

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

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

2. Financial Review

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

2.1 *Interest income*

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

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

Notes:

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

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

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

2.2 *Interest Expense*

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

2.3 *Administrative Expenses*

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

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

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

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

2.4 *Other Gains, net*

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

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

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

2.5 *Income Tax Expense*

Income tax for the six months ended 30 June 2014 was RMB35,506 thousand, up by 61.1% over the corresponding period of last year. Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The Group accrued for PRC withholding tax an amount of RMB5,182 thousand based on the tax rate of 10% on a portion of the earnings generated by certain PRC group entities for the six months ended 30 June 2014 (2013: Nil).

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

2.6 *Profit Attributable to Equity Holders*

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

3. Loans to Customers

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

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

3.1 *Loan Portfolio*

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

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

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

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

3.2 *Loan Classification*

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

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

Notes:

(i) *Loans to customers neither past due nor impaired*

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

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

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Real estate backed pawn loans, gross		
Past due up to 1 month	**110,488**	27,520
Past due 1–3 months	**30,682**	4,840
Past due 4–5 months	**43,998**	7,154
Past due over 6 months	**69,307**	30,716
	254,475	70,230
Equity interest backed pawn loans, gross		
Past due up to 1 month	**11,732**	1,550
Past due 1–3 months	**—**	—
Past due 4–6 months	**731**	—
Past due over 6 months	**—**	—
	12,463	1,550
Past due but not impaired	**266,938**	71,780

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

(iii) *Loans to customers individually impaired*

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

3.3 *Impairment Allowances*

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

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

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

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

4. Credit Risk Management

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

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

5. Market Risks

5.1 *Foreign exchange risk*

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

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

5.2 *Interest rate risk*

The most significant interest-bearing assets and liabilities are loans to customers and bank borrowings, which both bear fixed interest rates to generate cash flows independent from market interest rates. Based on the simulations performed and with other variables held constant, should the benchmark interest rate been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB3,914 thousand for the six months ended 30 June 2014 (2013: RMB2,110 thousand), mainly as a result of higher/lower interest expense on fixed-rate bank borrowings arising from interest rate repricing. Interest rates on interest-bearing financial assets, primarily loans to customers, are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

6. Total Equity and Capital Management

6.1 *Total Equity*

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

6.2 *Gearing ratio management*

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

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

7. Bank Borrowings and Pledge of Assets

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

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

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

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

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

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

8. Capital Expenditure

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

9. Significant Investments, Acquisition and Disposal

9.1 *Capital Contributions to Huifang Technology*

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

9.2 *Capital Contributions to the PRC Operating Entity*

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

9.3 *Future Plans Relating to Material Investments*

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

10. Contingencies, Contractual Obligations, Liquidity and Financial Resources

10.1 *Contingencies*

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

10.2 *Commitments*

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

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

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

10.3 *Liquidity and Capital Resources*

a. *Cash Flow Analysis*

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

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

Net Cash Flow from Operating Activities

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

Net Cash Flow from Financing Activities

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

b. *Liquidity Risk*

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

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

11. Human Resource and Employee Benefits

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

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

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

12. Events After Reporting Period

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

PROSPECTS

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

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

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

DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company ("**Directors**"). Specific enquiry has been made of all Directors, and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2014 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnhuirong.com) respectively. The 2014 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and our Company in due course.

By Order of the Board
China Huirong Financial Holdings Limited
CHEN Yannan
Chairman

Hong Kong, 25 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yannan, Mr. Wu Min and Mr. Mao Zhuchun, the non-executive directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng and Mr. Cao Jian and the independent non-executive directors of the Company are Mr. Zhang Huaqiao, Mr. Feng Ke and Mr. Tse Yat Hong.