CREDIT CHINA

中国信贷
CREDIT CHINA

Credit China Holdings Limited
中國信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：8207

Annual Report 2013

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This report, for which the directors (the "Directors") of Credit China Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

DIRECTORS

Executive Directors
Mr. Ting Pang Wan, Raymond *(Chairman)*
Mr. Phang Yew Kiat *(Deputy Chairman)*
Mr. Shi Zhi Jun
Mr. Ji Zu Guang
Ms. Shen Li *(Chief Executive Officer)*
Mr. Sheng Jia

Independent Non-executive Directors
Mr. Neo Poh Kiat
Dr. Lau Reimer Mary Jean
Mr. Lee Sze Wai

COMPANY SECRETARY

Ms. Kuo Kwan

COMPLIANCE OFFICER

Ms. Shen Li

AUTHORIZED REPRESENTATIVES

Ms. Shen Li
Ms. Kuo Kwan

AUDIT COMMITTEE

Mr. Lee Sze Wai *(Chairperson)*
Mr. Neo Poh Kiat
Dr. Lau Reimer Mary Jean

REMUNERATION COMMITTEE

Mr. Neo Poh Kiat *(Chairperson)*
Mr. Lee Sze Wai
Dr. Lau Reimer Mary Jean

NOMINATION COMMITTEE

Dr. Lau Reimer Mary Jean *(Chairperson)*
Mr. Lee Sze Wai
Mr. Neo Poh Kiat

PRINCIPAL BANKERS

China Merchants Bank
21/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

China Construction Bank Corporation
(Shanghai Nanjing West Road Sub-branch)
No. 585, Nanjing West Road
Shanghai, The PRC

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants
43/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2101-05, 21/F,
Sun Hung Kai Centre, 30 Harbour Road
Wanchai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

PH Floor, Lucky Target Square
No. 500 Chengdu Road North, Huangpu District
Shanghai, the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.creditchina.hk

STOCK CODE

08207

Financial Highlights

	2013 RMB'000	2012 RMB'000	Changes
OPERATING RESULTS			
Turnover	**269,728**	302,422	**-10.8%**
Profit for the year attributable to owners of the Company	**141,247**	149,534	**-5.5%**
Basic earnings per share	**RMB5.78 cents**	RMB7.05 cents	**-18.0%**
Dividend for the year per share	**HK1.21 cents**	HK1.55 cents	**-21.9%**
FINANCIAL POSITION			
Total assets	**2,311,551**	1,321,040	**75.0%**
Bank balances and cash	**259,591**	212,558	**22.1%**
Net assets	**1,294,425**	757,031	**71.0%**

Chairman's Statement

On behalf of the board of Directors (the "Board") of Credit China Holdings Limited, I am pleased to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

Year 2013 was an eventful year for us. In November 2013, we took a strategic move to enter into internet payment business by acquiring 100% of the issued share capital of UCF Huisheng Investment (HK) Co., Limited, an investment holding company with its subsidiaries principally engaged in provision of online third-party payment services and prepaid card issuance business. We decided to enter into this new area of business because we saw the power of internet technology and how it has brought changes to the financing industry. Some internet giants in the PRC such as Tencent and Alibaba have recorded dramatic growth in their online payment businesses and internet financing is also accelerating its pace to affect the financing sector in the PRC. We are confident that stepping into this lucrative market of online payment business would help the Group to build a sustainable momentum in our business model.

Now let's take a brief look at our existing businesses: the Group's core business of entrusted loan service continued to record a double digit growth and our microfinance business also progressed well during the year under review. The Chongqing microfinance platform continued to deliver solid operating profit and our newly acquired microfinance company in He Fei also started to contribute to the Group's revenue in the fourth quarter. However, as the Group has been restructuring the business model and some of our businesses such as pawn loan service and real estate-backed loan services have been scaling down, we suffered a short time impact on our overall revenue. But we believe that this short time effect will soon be offset by our new sources of growth.

We understand that our energy of growth also comes from the Group's important strategic partners. In September 2013, the Company announced an alliance with Chow Tai Fook Enterprises Limited and VMS Investment Group Limited in relation to a private and closed-ended fund. The Group is in the course of maturing the operating procedures and we believe that this strategic partnership will deliver to us positive results in upcoming years.

We will continue our effort on building long term and sustainable profitability. With this motivation behind, we will keep ourselves being responsive to the changing business environment while continuing to stabilizing the revenue and market share of our existing businesses. We strongly believe that the efforts we are making today will deliver long term increases in shareholders' value.

On behalf of the Board, I would like to thank our shareholders and business partners for their continuous support and confidence.

Ting Pang Wan, Raymond
Chairman and Executive Director

Hong Hong, 13 March 2014

Management Discussion and Analysis

BUSINESS REVIEW

The Group specializes in the business of financing services for small and medium enterprises and individuals in the PRC and Hong Kong. Through its multi-platforms, the Group offers a wide spectrum of financing services including entrusted loan service, real estate-backed loan service, micro loan service, pawn loan service and other loan service. To complement its core business of financing services, the Group also provides related financing consultancy services to assist customers on various financing issues and solutions. In November 2013, the Group further diversified its existing business portfolio through the acquisition of the entire equity interests in UCF Huisheng Investment (HK) Co., Limited ("UCF Huisheng"), of which its group's principal business is provision of online third-party payment services and prepaid card issuance business in the PRC.

With a double digit growth recorded, entrusted loan service continued to be the core business of the Group for the year ended 31 December 2013. Besides, the strong performance of micro finance business also continued through 2013. However, despite of these positive trends, the overall revenue dropped as the Group has been restructuring its existing business portfolio to reduce its reliance on real estate-backed loans. It is because, although the property market of the PRC in 2013 was still strong, the Group expected its growth will become moderate in 2014. Therefore, the Group has reserved its resources to expand its micro finance platforms and to explore other business opportunities such as online third-party payment services.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group reported revenue of approximately RMB269.7 million, a decrease of 10.8% as compared to RMB302.4 million in 2012. The Group experienced a short term reduction in revenue as the Group has focused on building new sources of growth and certain amount of resources was set aside for business development during the year under review.

Entrusted loan service income

The Group reported a growth of 16.3% growth in the entrusted loan service income, with revenue increased to RMB106.7 million as compared to RMB91.7 million last year, confirming the continuous demand in the Group's entrusted loan service.

Real estate-backed loan service income

The Group's microfinance platform in Chongqing has two business segments: small loan service and microfinance service. The Group recorded a significant decrease in its real estate-backed loan service income which was mainly generated from the provision of small loan service. It was because provision of small loan service was only a transitional process for the Group to establish a beachhead in the microfinance industry, and the Group has shifted the loan mix away from real estate-backed loans towards micro loans only. In this respect, the interest income generated from real estate-backed loan service amounted to approximately RMB16.8 million, decreased by 29.1% as compared to approximately RMB23.7 million of last year.

Microfinance service income

The Group's development on microfinance business is well on-track, with microfinance service income increased significantly to RMB11.6 million for the year ended 31 December 2013 versus RMB0.015 million of last year. It was because after efforts on redefining and repositioning, the Group's microfinance business in Chongqing has been in full operation. Besides, the Group's newly acquired microfinance company in He Fei also started to generate revenue in the fourth quarter.

Other loan service income

Other loan service income was mainly derived from the provision of money lending service in Hong Kong. For the year ended 31 December 2013, the Group's other loan service income was approximately RMB7.7 million, representing an increase of 37.2% as compared to RMB5.6 million last year.

Real estate pawn loan service income

The Group has been reducing the proportion of loans with smaller sums. In this relation, the Group's revenue from the provision of real estate pawn loan service decreased by 62.0% to approximately RMB2.9 million during the year under review from approximately RMB7.6 million of last year.

Other collateral-backed pawn loan service income

For the year ended 31 December 2013, the Group recorded revenue of approximately RMB0.65 million from the provision of other collateral-backed pawn loan service, representing a decrease of 77.8% as compared to the revenue of approximately RMB2.9 million of last year.

Financial consultancy service income

Revenue from the provision of financial consultancy service decreased by 27.8% to approximately RMB123.5 million for the year under review from approximately RMB170.9 million of last year. The drop in revenue from this service was mainly due to reduction in financial consultancy service income from referring customers to other independent third-party lenders in this year.

Interest expenses

The Group's interest expenses were mainly comprised of interests on the RMB-denominated corporate bonds, bank loans, other borrowings and financial assets sold under repurchase agreement. The Group's interest expenses climbed up 94.7% to approximately RMB37.8 million from approximately RMB19.4 million of last year, mainly due to an increase in interest on the RMB250 million corporate bonds at 11% coupon rate due 2014, as compared to the RMB100 million corporate bonds at 9% coupon rate which was fully repaid in September 2012. Besides, in order to fund its operation and business development, the Group obtained bank loans, other loans and financial assets sold under repurchase agreement in the principal amounts of RMB250.9 million, RMB182.5 million and RMB30.0 million respectively, which also increased the interest expenses during the year.

Other income

The Group's other income mainly comprised of convertible bond interest income, bank interest income and government grants. The Group's other income for the years ended 31 December 2012 and 2013 was approximately RMB17.5 million and RMB20.5 million respectively. The increase of 16.9% was mainly attributable to government grants of approximately RMB12.3 million to Shanghai Yintong Dian Dang Company Limited ("Shanghai Yintong"), Lucky Target Property Consultants (Shanghai) Company Limited and other subsidiaries of the Group for the encouragement of expansion of enterprise.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and sales and marketing related expenses. The Group's administrative and other operating expenses for the years ended 31 December 2012 and 2013 was approximately RMB68.5 million and RMB113.2 million respectively. The increase of 65.2% was mainly attributed to the increase of salaries as additional management and staff was recruited for microfinance businesses, consultancy fees and other operating costs which were increased in line with the business development.

Change in fair value of investment property

The Group recorded a gain of approximately RMB75.7 million resulting from appreciation in fair value of a commercial property situated in Shanghai, which was disposed to the Group after a borrower had defaulted in the repayment of an entrusted loan.

Profit for the year

The profit attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB141.2 million, a decrease of 5.5% as compared to approximately RMB149.5 million for the year ended 31 December 2012.

OUTLOOK

Over the past few years, the Group has been focusing on providing conventional financing services. Despite the fact that the existing businesses of the Group have been delivering positive return, the Group sees there are a few challenges in the financial industry. Firstly, the Group expects the property market in 2014 will be slowing down, which may increase the downside risk as many of the Group's customers are property developers or are engaging in property related businesses. Secondly, the Group has noticed that there are emerging numbers of internet financing platforms like P2P which are affecting the financing sector.

However, the Group sees these challenges are the opportunities to the Group to develop into more business possibilities. In November 2013, the Group acquired UCF Huisheng in order to establish a foothold in the lucrative online third-party payment services in the PRC. The Directors believe that this new business is not just about online payment services, it can be developed into other financing related products or services. And considering the huge population of the PRC and the penetrating power of the internet, the potential return from this new business segment will be enormous.

Looking ahead, the Group will step up its efforts to develop the online payment business and will open up to any possible opportunities including acquisitions that would bring synergistic effect to maximize the value this platform. On the other hand, the Group will gradually reduce the proportion of loans which are property-backed to increase its resilience to the possible downside trend of the properties market of the PRC.

The Directors are excited about the prospects of this business growth model and believe it will be a robust platform to support future profitable growth of the Group.

Management Discussion and Analysis

FINAL DIVIDEND

In view of the Group's operating results for the year ended 31 December 2013 and having taken into consideration its long-term development, the Board recommends payment of a final dividend of HK1.21 cents (or equivalent to RMB0.96 cents) per ordinary share of the Company for the financial year ended 31 December 2013 (2012: HK1.55 cents), to the shareholders of the Company whose names are on the register of members on Tuesday, 10 June 2014 subject to the approval by the Company's shareholders at the Annual General Meeting of the Company to be held on Monday, 5 May 2014 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

Subject to the approval of the aforesaid proposed final dividend, the payment of final dividend will be made on or about Wednesday, 18 June 2014 and the dividend payout ratio for the year under review will be 20.01%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, the Group had bank balances and cash of approximately RMB259.6 million (2012: approximately RMB212.6 million) and had borrowings, which mainly comprised Renminbi corporate bonds, bank loans, other loans, entrusted loans and financial assets sold under repurchase agreement amounted to RMB719.6 million (2012: RMB301.6 million). During the year under review, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowings to the total assets of the Group was 0.31 as at 31 December 2013 (2012: 0.23).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 13 November 2013, the Group acquired 100% of the paid up capital of 合肥市包河區建信小額貸款有限公司 for consideration of RMB48,409,000 which was satisfied by cash.

On 27 November 2013, the Group acquired 100% of the issued share capital of UCF Huisheng at fair value of consideration of HK$310,570,000 (equivalent to approximately RMB245,505,000) which was satisfied by allotting and issuing 477,800,000 new ordinary shares of the Company of HK$0.10 each. UCF Huisheng is an investment holding company and its subsidiaries are engaged in provision of online third-party payment services and prepaid card issuance business.

During the year, the Group acquired the remaining equity interests of 20% in Worthy Trade Limited ("Worthy Trade") at a consideration of approximately RMB81,010,000. Upon the completion of the acquisition, Worthy Trade became a wholly-owned subsidiary of the Group.

On 23 October 2013, Vast Well International Limited ("Vast Well") and Absolute Wise, two wholly-owned subsidiaries of the Group had introduced strategic investor by enlarging their share capital. After the enlargement of the share capital of the subsidiaries, the Group's interests in Vast Well had been diluted from 100% to 18%, and Vast Well ceased to be the subsidiary of the Group, and therefore was accounted for as an available-for-sale investment thereafter. The Group's interests in Absolute Wise had been diluted from 100% to 51% and Absolute Wise became a joint venture of the Group.

Other than disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2013.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

Save as disclosed under "Management Discussion and Analysis" in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2013.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group has no significant contingent liabilities (2012: Nil).

CAPITAL COMMITMENTS

Capital expenditure commitment

At the end of the reporting period, the Group had the following capital commitments:

	2013	2012
	RMB'000	RMB'000
Capital expenditure contracted for but not provided for in respect of:		
Acquisition of plant and equipment	**751**	453
Acquisition of club membership	**384**	–
	1,135	453

FOREIGN EXCHANGE EXPOSURE

The Group is mainly exposed to the fluctuation of Hong Kong dollars ("HK$") against RMB as its certain bank balances are denominated in HK$ which is not the functional currency of the relevant group entities. The Group has not made other arrangement to hedge against the exchange rate risk. However, the Directors and management will continue to monitor the foreign exchange exposure and will consider utilizing applicable derivatives to hedge out the exchange risk when necessary.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had a total of 212 staff (2012: 150). Total staff costs (including Directors' emoluments) were approximately RMB50.9 million for the year ended 31 December 2013 (2012: RMB23.0 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, and contributions to statutory mandatory provident fund scheme and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ting Pang Wan, Raymond (丁鵬雲), aged 41, is the brother-in-law of Mr. Shi Zhi Jun, the executive Director of the Board. Mr. Ting was appointed as an executive Director on 6 September 2012 and was further appointed as the Chairman on 4 October 2012. He had been an advisor of the Board from 19 November 2010 before his appointment as an executive Director. He is also a director of certain subsidiaries of the Group. In addition, he was appointed as an executive director of Ground Properties Company Limited (formerly known as China Motion Telecom International Limited) (Stock Code: 989), a company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in October 2006 and became the chairman of China Motion Telecom International Limited in November 2006 and re-designated as Non-executive director on 29 November 2013. Mr. Ting has over 18 years of experience in property development and investments in the People's Republic of China ("PRC"). He is currently the sole shareholder and director of LT International Holdings Limited which was established by Mr. Ting's father and other business partners and is a holding company with subsidiaries principally engaged in property development and investments in Guangzhou, Shanghai and Beijing, the PRC and investment in securities since 1991. Mr. Ting studied Economics and International Relation in Beloit College in the United States of America from 1992 to 1994.

Mr. Phang Yew Kiat (彭耀傑), aged 45, was appointed as an executive Director and the Deputy Chairman on 23 December 2013 and then appointed as a Co-Chairman on 17 March 2014. He is a director of a subsidiary of the Group. Mr. Phang is the co-chairman of Deauville Private Office for Asia-Pacific Region since July 2012, and has over 17 years of experience in banking industry and had served at senior management position at various banks. Mr. Phang was appointed as the general manager, SME business for Singapore and Malaysia of Standard Chartered Bank in June 2009, and acted as the principal director of Standard Chartered Private Bank during January 2011 to June 2012. In 2005, Mr. Phang was in charge of the establishment of China Bohai Bank in the PRC and acted as an executive director and deputy chief executive officer of China Bohai Bank during 2006 to 2009, with full responsibilities for the consumer banking business (including both personal and SME businesses). In June 1995, Mr. Phang received a Master degree in Business and Administration in International Business from University of Bristol and in July 1993, he received a Bachelor degree of Engineering in Microelectronic Systems Engineering from University of Manchester in the faculty of Technology.

Biographical Details of Directors and Senior Management

Mr. Shi Zhi Jun（石志軍）, aged 57, is one of the founders of the Group. He was appointed as an executive Director on 4 January 2010 and Chairman on 4 November 2010 and was re-designated from the Chairman to the Deputy Chairman on 4 October 2012. Then he resigned from his office as Deputy Chairman on 23 December 2013 and subsequently resigned as an executive Director on 17 March 2014. Besides, he is a director and owner of Kaiser Capital Holdings Limited, a substantial shareholder of the Company. Mr. Shi was trained in the Senior Doctor-in-charge Advanced Studies in Shanghai TV University（上海電視大學）and Shanghai Jiao Tong University（上海交通大學）(formerly known as Shanghai No. 2 Medicine University（上海第二醫科大學）). In 2007, Mr. Shi received his Master's degree in Advanced Business Management from the Nanyang Technological University of Singapore. Mr. Shi became a surgeon when he was at the age of 20 and practised as a surgeon until 1998. In 1998, in order to achieve a better income, he pursued his career in property financing and provided combined financing consultancy and property agency services where he gained over 15 years of experience in the industry. In 2003, Mr. Shi established Shanghai Yintong and was appointed as its chairman in July 2004. Under the leadership of the management team of Shanghai Yintong with Mr. Shi as the core member, Shanghai Yintong extended its business and became a provider of unique short-term financing services targeting the Zhejiang and Jiangsu Provinces with a focus in Shanghai, the PRC. From 1992 to 1996, Mr. Shi was accredited as "Shanghai Outstanding Young Doctor"（上海市優秀青年醫師獎）, "Top Ten in Science"（十佳科技獎）, "Spiritual Civilization Model"（精神文明標兵獎）and "Top Ten Young Person in Science"（十佳科技青年）for two years consecutively by Xuhui District, Shanghai, the PRC.

Mr. Ji Zu Guang（計祖光）, aged 56, is one of the founders of the Group. He was appointed as an executive Director on 4 January 2010. He subsequently resigned as an executive Director on 17 March 2014. Mr. Ji is also a director of various companies in the Group. Mr. Ji is currently responsible for human resources management and legal compliance aspects of the Group. In addition, Mr. Ji was appointed as a executive director of Ground Properties Company Limited (formerly known as China Motion Telecom International Limited) (Stock Code: 989), a company with its shares listed on the Stock Exchange in September 2012 and resigned on 7 March 2014. Mr. Ji participated in the establishment of Jinhan Investment (through which the Group was formed in 2003) in 2000. Mr. Ji graduated from the Party School of the Central Committee of C.P.C（中共中央黨校）in 1992 majoring in Economic Management. In 2006, Mr. Ji received his Master's degree in Advanced Business Management from the Nanyang Technological University of Singapore. From 1992 to 2000, he served as secretary and engineer of the Shanghai Postal, Telephone and Communication Bureau（上海市郵電管理局）respectively. Since 2000, Mr. Ji served as the Deputy General Manager of LT International Holdings Ltd.（峻岭國際集團有限公司）where he was mainly responsible for the overall operation of property development projects and well-experienced in the property development industry. In 2003, he participated in the establishment of Shanghai Yintong and has since gained around 9 years of experience in the secured financing industry.

Biographical Details of Directors and Senior Management

Ms. Shen Li（沈勵）, aged 40, was appointed as an executive Director on 4 January 2010. Ms. Shen is the Chief Executive Officer of the Company and a director of various companies in the Group. Ms. Shen is responsible for the operation and management of the Group. She joined the Group in January 2009 as our Deputy General Manager. Ms. Shen obtained her Bachelor's degree in Computer and Finance from International Business School of Shanghai University（上海大學國際商學院）in 1995. She possessed the qualification of registered accountant of the PRC and is a member of the Chinese Institute of Certified Public Accountants（中國註冊會計師協會）. Ms. Shen had worked at Price Waterhouse Da Hua CPAs, General Motors (China) Investment Co. Ltd. and had been the controller of Asia Operation of Chrysler Asia Operations. She has about 18 years of experience in finance.

Mr. Sheng Jia（盛佳）, aged 33, was appointed as an executive Director on 23 December 2013. Mr. Sheng is the chief executive officer of China Net Credit Finance Group Limited since July 2013. Currently, Mr. Sheng is also an advisor of Shanghai Liketry.com of Shanghai Liketry Internet Information Technology Holdings Co., Limited, a company co-founded by him. Mr. Sheng has extensive experience in design, research and development of web search and related products, and has over 5 years' experience in leading global search infrastructure team in renowned multinational software companies. He was appointed as the product manager of Google Inc. in 2010 and was responsible for global product search and product infrastructure business. Besides, he was one of the founders of Yunrang (Beijing) Information Technology Limited established in 2010. Mr. Sheng received a Master degree in Computer Science from University of Toronto in 2005, and a Bachelor degree of Computer Science and Technology from Tsinghua University in 2002.

Mr. Chng Swee Ho（莊瑞豪）, aged 45, was appointed as an executive Director on 17 March 2014. Mr. Chng is the Greater China managing partner of A.T. Kearney since 2012. He has 22 years experience in consulting, investment and banking and provided advisory services to clients from wide range of financial sectors in North America, Europe and more than 10 countries in Asia. Mr. Chng was a partner of Bain & Company, Inc. during 2007 to 2011 and a partner of The Boston Consulting Group, Greater China during 2003 to 2006. In May 1992, Mr. Chng received a Bachelor degree in Accountancy from Nanyang Technological University of Singapore.

Biographical Details of Directors and Senior Management

Non-executive Director

Mr. Wong Sai Hung（黃世雄）, aged 58, was appointed as a non-executive Director on 17 March 2014. Mr Wong has been an executive director of LW Asset Management Advisors Limited, which is an investment management company registered under Securities and Future Commission of Hong Kong, since May 2013 and a director of One Asset Management Limited, a company incorporated in Thailand, since 1992. He is also the vice chairman and a non-executive director of China Bio-Med Regeneration Technology Limited (Stock Code: 8158) since July 2009 and June 2008 respectively, an independent non-executive director of Pang An Insurance (Group) Company of China, Ltd (Stock Code: 2318) since June 2013 and an independent non-executive director of Hong Kong Exchanges and Clearing Limited (Stock Code: 0388) since 2003, of which all companies are listed on the Stock Exchange. Mr. Wong was also a non-executive director of ARN Investment SICAV, a company listed in Luxemburg, from June 2010 to January 2014. Mr. Wong was the chief executive officer of ICBC (Asia) Investment Management Company Limited during 2008 to 2011. He was also the chief executive officer of BOCI-Prudential Asset Management Limited, a joint venture between Bank of China International and Prudential of the UK, during 2001 to 2005, and was the regional managing director of Prudential Portfolio Managers Asia during 1999 and 2000 when the joint venture started. Besides, he held senior positions at LGT Asset Management during 1977 to 1998. In October 1977, Mr. Wong graduated from Hong Kong Polytechnic University with a Higher Diploma in Business Studies.

Independent Non-executive Directors

Mr. Neo Poh Kiat（梁宝吉）, aged 63, was appointed as an independent non-executive Director on 4 November 2010. He is also the chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee of the Company. Mr. Neo obtained a Bachelor of Commerce (Honours) degree from Nanyang University, Singapore in 1973. Mr. Neo has extensive experience in the banking and finance industry for over 30 years. He is currently a managing director of Octagon Advisors Pte. Ltd., a financial advisory firm in Singapore. Between 1976 and 1994, Mr. Neo took up various positions in DBS Bank Group including executive director of DBS Securities Hong Kong Limited and director of DBS Securities Holding Pte Ltd. During 1994 to 1996, he took up the position of general manager (Leasing and Corporate Services) in Sino Land Company Limited. During 1996 to 2001, he returned to DBS Bank Group and held senior management positions including managing director at DBS Asia Capital Limited, and general manager at DBS Hong Kong Branch. During 2001 to 2004, Mr. Neo served as the Country Officer, China and Head, Corporate Banking, Greater China in United Overseas Bank. Since 2005, he has also held the office of an independent director of China Yuchai International Limited, common stocks of which are listed on the New York Stock Exchange.

Biographical Details of Directors and Senior Management

Dr. Lau Reimer Mary Jean（劉翁靜晶）, aged 49, was appointed as an independent non-executive Director on 4 November 2010. She is also the chairman of the Nomination Committee and a member of both the Audit Committee and Remuneration Committee of the Company. Dr. Lau received her Master of Laws from the University of Hong Kong in 2001 and her Doctorate degree in Civil and Commercial Law from The China University of Political Science and Law in 2006. Dr. Lau is admitted as solicitor in Hong Kong and England and Wales and has over 10 years of post-qualification legal experience. She is currently a partner of Reimer & Partners. Dr. Lau is the Honourable Treasurer of The University of Hong Kong SPACE Alumni Association, committee member of Youth Criminal Study Trust and legal adviser of a number of organizations and associations.

Mr. Lee Sze Wai（李思衛）, aged 45, was appointed as an independent non-executive Director on 4 November 2010. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. Mr. Lee received his Bachelor of Commerce degree from University of Wollongong majoring in Accountancy in Australia in 1992. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia, and has more than 20 years of experience in accounting and finance. Mr. Lee worked at Ernst & Young from 1992 to 2000 specializing in assurance and business advisory services and was the chief financial officer of various companies from 2000 to 2012. Since 2006, he has been the director of a CPA firm specializing in assurance and business advisory services.

SENIOR MANAGEMENT

Mr. Ding Lu（丁璐）, aged 41, is the Chief Strategy Officer and Chief Risk Officer of the Company and also a director of Shanghai Yintong and a member of its loan approval committee. Mr. Ding is responsible for the government related affairs, including coordination among various government authorities, risk management of the Group and the assessment and approval of loans of Shanghai Yintong. Mr. Ding graduated from the Beijing University of Aeronautics and Astronautics（北京航空航天大學）with a major in management engineering in 1995. From 1995 to 2000, he worked as an assistant to chairman at the Shanghai International Art Centre Co., Ltd.（上海國際藝術中心有限公司）where he was mainly responsible for its daily operations. From 2001 to 2003, he was employed by Jinhan Investment as an assistant to director. Mr. Ding joined the Group in 2003 as a director of Shanghai Yintong and has since gained over 9 years of experience in the secured financing industry.

Biographical Details of Directors and Senior Management

Mr. Sun Jun（孫駿）, aged 45, the Chief Investment Officer of the Company, joined the Group in September 2012. Mr. Sun was a member of the Shanghai State-owned Asset Management Committee（上海市國有資產管理委員會）, Office of the Shanghai Property Transaction Management（上海市產權交易管理辦公室）, and the general manager of a few leading asset management and investment companies. Mr. Sun is currently the Chief Executive of Shanghai Justleading Investment Management & Consulting Co., Ltd.（上海嘉實利投資管理公司）and the director of its investee company, Shanghai Skytime Technology Co., Ltd.（上海馳天移動信息技術有限公司）. He has extensive experience in capital markets in China and is operating a private equity fund which invests in secondary securities markets. Focusing on merger and acquisition and financial advisory services, he was in charge of a number of high profile projects for international and leading PRC corporations.

Ms. Kuo Kwan Belinda（郭群）, aged 43, the Chief Financial Officer and Company Secretary of the Company, is responsible for the overall accounting and finance and company secretarial functions of the Group. Ms. Kuo joined the Group in December 2010. She holds a Bachelor's Degree in Commerce from the University of Melbourne. Prior to joining the Group, she worked for various listed companies in Hong Kong and an international accounting firm. She is a member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

The Board of Directors (the "Board") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2013.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles and code provisions as set out in the Appendix 15, "Corporate Governance Code and Corporate Governance Report" (the "CG Code") of the GEM Listing Rules.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarized below.

A. THE BOARD

A.1 RESPONSIBILITIES AND DELEGATION

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Company's financial performance on behalf of the shareholders. All directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the senior management, with a view to ensuring the Board procedures and all applicable laws and regulations are followed. Each director is able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making reasonable request to the Board.

The Board has delegated a schedule of responsibilities to the Chief Executive Officer and senior management of the Company. These responsibilities include implementing decisions of the Board and directing and co-ordinating day-to-day operation and management of the Company.

The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing officers and senior management.

A.2 BOARD COMPOSITION

The Board comprised the following directors during the year and up to the date of this report:–

Executive directors:–

Mr. Ting Pang Wan, Raymond	*(Chairman of the Board)*
Mr. Phang Yew Kiat	*(Deputy Chairman of the Board)*
Mr. Shi Zhi Jun	
Mr. Ji Zu Guang	
Ms. Shen Li	*(Chief Executive Officer)*
Mr. Sheng Jia	

Independent non-executive directors:–

Mr. Neo Poh Kiat	*(Chairperson of the Remuneration Committee and member of both the Audit Committee and Nomination Committee)*
Dr. Lau Reimer Mary Jean	*(Chairperson of the Nomination Committee and member of both the Audit Committee and Remuneration Committee)*
Mr. Lee Sze Wai	*(Chairperson of the Audit Committee and member of both the Nomination Committee and Remuneration Committee)*

The list of all directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company. Save and except for Mr. Ting Pang Wan, Raymond, the Chairman of the Company, is the brother-in-law of Mr. Shi Zhi Jun, the Executive Director, there is no relationships (including financial, business, family or other material or relevant relationships) among the members of the Board. There is no such relationship as between the Chairman and the Chief Executive Officer. The biographical details of the directors of the Company are set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report.

During the period from 1 January 2013 to 31 December 2013, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules. The Company has complied with Rule 5.05A of the GEM Listing Rules for having at least one-third of its Board members being independent non-executive directors.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Each executive director supervises areas of the Group's business in accordance with his/her expertise. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and/or serving on Board committees, the independent non-executive directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The Company has received a written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

A.3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals.

The Chairman of the Board is Mr. Ting Pang Wan, Raymond, who provides leadership for the Board and ensures its effectiveness in all aspects. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings.

The Chief Executive Officer is Ms. Shen Li, who is in charge of the Company's day-to-day management and operations and focuses on implementing objectives, policies and strategies approved and delegated by the Board.

A.4 APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company is engaged on a service agreement with the Company for a term of three years. The Company has also issued a letter of appointment to each of the independent non-executive directors for a term of one year.

In accordance with the Company's Articles of Association, one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. All of the retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The Board may from time to time and at any time appoint any person to be a director, either to fill a casual vacancy of the Board, or as an addition to the existing Board. Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of meetings after his/her appointment, and be subject to re-election at such meeting and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to the aforesaid provisions of the Articles of Association, seven directors of the Company, including 2 directors who were appointed after the date of this report, shall retire at the forthcoming 2014 annual general meeting of the Company and, being eligible, will offer themselves for re-election at the meeting. The Company's circular, sent together with this annual report, contains detailed information of the retiring directors pursuant to the GEM Listing Rules.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Company has established a Nomination Committee which is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. The criteria for selection of directors are mainly based on the professional qualification and experience of the candidate. Details of the Nomination Committee and its work performed are set out in the "Board Committees" section below.

A.5 INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

All directors of the Company received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

According to the records maintained by the Company, the directors received the following training regarding roles, function and duties of a director of a list company or professional skills in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2013:

	Reading Materials	Attending Seminars/ Briefings
Executive Directors		
Mr. Ting Pang Wan, Raymond	✓	
Mr. Phang Yew Kiat *(appointed on 23 December 2013)*	N/A	N/A*
Mr. Shi Zhi Jun	✓	
Mr. Ji Zu Guang	✓	
Ms. Shen Li	✓	
Mr. Sheng Jia *(appointed on 23 December 2013)*	N/A	N/A*
Independent and Non-executive Directors		
Mr. Neo Poh Kiat	✓	
Dr. Lau Reimer Mary Jean	✓	
Mr. Lee Sze Wai	✓	

* *Mr. Phang Yew Kiat and Mr. Sheng Jia, the newly appointed Directors, have been given an induction and training on 3 January 2014.*

A.6 BOARD MEETINGS

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board Meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to provide them with materials relating to the transactions to be discussed in the meeting in order to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman, the Chief Executive Officer and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

A.6.2 Directors' Attendance Records

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year ended 31 December 2013, the Board held four full Board meetings which were the regular ones held at approximately quarterly intervals. The attendance of each director is as follows:

	Number of board meetings attended/ Eligible to attend
Mr. Ting Pang Wan, Raymond	4/4
Mr. Phang Yew Kiat *(appointed on 23 December 2013)*	0/0
Mr. Shi Zhi Jun	4/4
Mr. Ji Zu Guang	4/4
Ms. Shen Li	4/4
Mr. Sheng Jia *(appointed on 23 December 2013)*	0/0
Mr. Neo Poh Kiat	4/4
Dr. Lau Reimer Mary Jean	4/4
Mr. Lee Sze Wai	4/4

There were 16 additional Board meetings held and attended by certain executive directors and independent and non-executive directors for normal course of business during the year. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company Secretary and are available to all directors.

During the year ended 31 December 2013, the annual general meeting was held on 7 May 2013. The attendance of each director is as follows:

	Number of general meetings attended/ Eligible to attend
Mr. Ting Pang Wan, Raymond	0/1
Mr. Phang Yew Kiat *(appointed on 23 December 2013)*	0/0
Mr. Shi Zhi Jun	1/1
Mr. Ji Zu Guang	1/1
Ms. Shen Li	1/1
Mr. Sheng Jia *(appointed on 23 December 2013)*	0/0
Mr. Neo Poh Kiat	0/1
Dr. Lau Reimer Mary Jean	1/1
Mr. Lee Sze Wai	1/1

Under the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings of the Company. Due to personal commitment, Mr. Ting Pang Wan, Raymond, the Chairman of the Company and Mr. Neo Poh Kiat, the independent non-executive director of the Company, did not attend the annual general meeting of the Company held on 7 May 2013.

A.7 REQUIRED STANDARD OF DEALINGS

The Company has adopted its securities dealing code (the "Own Code") regarding directors' dealings in the Company's securities by the directors, senior personnel and certain employees of the Group (who are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Specific enquiry has been made of the Company's directors and all of them have confirmed that they have complied with the required standards set out in the Required Standard of Dealings and the Own Code throughout the period from 1 January 2013 to 31 December 2013.

No incident of non-compliance of the Required Standard of Dealings and the Own Code by the directors and relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

B. BOARD COMMITTEES

The Board has established four Board committees, namely, the Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are published on the Company's website and the Stock Exchange's website, or available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in A.6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B.1 EXECUTIVE COMMITTEE

The Executive Committee comprises all the executive directors of the Company with Mr. Ting Pang Wan, Raymond acting as the chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B.2 REMUNERATION COMMITTEE

The Remuneration Committee comprises a total of three members, namely, Mr. Neo Poh Kiat (Chairperson), Dr. Lau Reimer Mary Jean and Mr. Lee Sze Wai, all of whom are independent non-executive directors of the Company.

The principal duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Pursuant to the code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

In the band of	Number of Individuals
Nil to RMB1,000,000	2
RMB1,000,001 to RMB2,000,000	5
RMB2,000,001 to RMB3,000,000	0
RMB3,000,001 to RMB4,000,000	0
Over RMB4,000,000	2

Details of the remuneration of each director of the Company for the year ended 31 December 2013 are set out in note 13 to the financial statements contained in this annual report.

Up to the date of this annual report, the Remuneration Committee met twice and performed the following major tasks:

– To review and make recommendation on the payment of a year-end bonus and special bonus to the directors and senior management of the Group; and

– To review and make recommendation on the current remuneration package of directors and senior management of the Group.

During the year ended 31 December 2013, the attendance of each member of the Remuneration Committee is as follows:

	Number of meetings attended/ Eligible to attend
Mr. Neo Poh Kiat	2/2
Dr. Lau Reimer Mary Jean	2/2
Mr. Lee Sze Wai	1/2

The terms of reference of the Remuneration Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

B.3 AUDIT COMMITTEE

The Audit Committee comprises a total of three members, namely, Mr. Lee Sze Wai (Chairperson), Mr. Neo Poh Kiat and Dr. Lau Reimer Mary Jean, all of whom are independent non-executive directors of the Company. The Chairman of the Audit Committee also possesses the appropriate accounting and financial management expertise as required under Rule 5.28 of the GEM Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditor before submission to the Board; (ii) review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the financial year ended 31 December 2013, the Audit Committee met four times with the presence of Mr. Lee Sze Wai, Mr. Neo Poh Kiat and Dr. Lau Reimer Mary Jean, of which one of the meetings were also with the presence of the external auditor and the senior management of the Company and performed the following major tasks:

– Review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;

– Review and discussion of the internal control system of the Group;

– Discussion and recommendation of the re-appointment of external auditor; and

– Review of the Company's continuing connected transactions for the year ended 31 December 2013 pursuant to the GEM Listing Rules.

During the year ended 31 December 2013, the attendance of each member of the Audit Committee is as follows:

	Number of meetings attended/ Eligible to attend
Mr. Lee Sze Wai	4/4
Mr. Neo Poh Kiat	4/4
Dr. Lau Reimer Mary Jean	4/4

There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

The terms of reference of the Audit Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

B.4 NOMINATION COMMITTEE

Pursuant to the CG Code, the Company has established the Nomination Committee which comprises a total of three members, namely, Dr. Lau Reimer Mary Jean (Chairperson), Mr. Neo Poh Kiat and Mr. Lee Sze Wai, all of whom are independent non-executive directors of the Company.

The principal duties of the Nomination Committee are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of independent non-executive directors.

During the financial year ended 31 December 2013, the Nomination Committee met twice with the presence of Dr. Lau Reimer Mary Jean, Mr. Neo Poh Kiat and Mr. Lee Sze Wai and performed the following major tasks:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Assessment of the independence of the existing independent non-executive directors; and

– Recommendation on the re-appointment of retiring directors at the 2014 annual general meeting of the Company pursuant to the Articles of Association.

During the year ended 31 December 2013, the attendance of each member of the Nomination Committee is as follows:

	Number of meetings attended/ Eligible to attend
Dr. Lau Reimer Mary Jean	2/2
Mr. Lee Sze Wai	2/2
Mr. Neo Poh Kiat	2/2

The terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

C. BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy on 13 March 2014 which sets out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

D. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of quarterly, interim and annual reports, price sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

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

E. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of the Company's shareholders and the Group's assets and, with the support of the Audit Committee, for reviewing the effectiveness of such system on an annual basis.

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2013. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities for the Group's financial statements for the year ended 31 December 2013 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to SHINEWING (HK) CPA Limited, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2013 are analyzed below:–

Type of services provided by the external auditor	**Fees paid/payable**
Audit services	HK$1,310,000
Non-audit services (in relation to the acquisition of 100% of the issued share capital of UCF Huisheng)	HK$180,000
TOTAL:	HK$1,490,000

G. CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

(a) develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year and up to the date of this report, the Board has reviewed and performed the said (a), (b), (c) and (e) corporate governance functions.

H. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, various rights of shareholders, including the right to propose resolutions, are contained in the Articles of Association.

The summary of certain rights of the shareholders are disclosed below:–

Procedures for convening extraordinary general meetings and putting forward proposals at general meetings

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Company's Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the principal place of business in Hong Kong of the Company marked with the attention of the Company Secretary. The requisitionists must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionists. Upon receipt, the Company will verify the requisitionists' particulars and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles of Association.

Procedures for propose a person for election as a Director

The procedures for proposing a person for election as a Director are posted under the Investor Relations section of the Company's website at www.creditchina.hk.

I. COMMUNICATIONS WITH SHAREHOLDERS

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.creditchina.hk" as a communication platform with shareholders and investors, where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited and for other enquiries, shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Rooms 2101-05, 21/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong or via email to "info@creditchina.hk" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board considers that general meetings of the Company provide an important channel for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Board committees will endeavor to be available at the meetings to answer any questions raised by shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

J. COMPANY SECRETARY

The Company Secretary has been appointed on 24 November 2011 who is a full time employee of the Company and has day-to-day knowledge of the Company. The Company Secretary reports to the Chairman and Chief Executive Officer of the Company. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed. For the year under review, the Company Secretary has confirmed that no less than 15 hours of relevant professional training has been taken.

K. INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance and the GEM Listing Rules and has established the inside information/price-sensitive information disclosure policy with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Future Commission.

L. CONSTITUTIONAL DOCUMENTS

During the year, there is no change in the Company's constitutional document.

Report of the Directors

The Board of Directors is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Group are provision of pawn loan service, entrusted loan service, real estate-bank loan service, microfinance service, other loan service and financing consultancy service.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 56 to 195.

The Board recommends payment of a final dividend of HK1.21 cents (or equivalent to RMB0.96 cents) per ordinary share of the Company for the financial year ended 31 December 2013 (2012: HK1.55 cents), to the shareholders of the Company whose names are on the register of members on Tuesday, 10 June 2014, subject to the approval by the Company's shareholders at the Annual General Meeting and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2013.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled on Monday, 5 May 2014. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 30 April 2014 to Monday, 5 May 2014 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 April 2014.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Tuesday, 10 June 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 6 June 2014 to Tuesday, 10 June 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 5 June 2014. The payment of final dividend will be made on or about Wednesday, 18 June 2014.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 196 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statement.

INVESTMENT PROPERTY

The Group revalued its investment property at year end date. Revaluation surplus amounted to RMB75,677,000 during the year ended 31 December 2013 (2012: Nil). Details of such revaluation are set out in note 18 to the financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 42(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution to equity holders comprising share premium account less accumulated losses, amounted to approximately RMB487.4 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue	
– The largest customer	12.4%
– The total of five largest customers	36.3%

As far as the Directors aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Mr. Ting Pang Wan, Raymond	
Mr. Phang Yew Kiat	*(appointed as executive Director and Deputy Chairman on 23 December 2013 and Co-Chairman on 17 March 2014)*
Mr. Shi Zhi Jun	*(resigned on 17 March 2014)*
Mr. Ji Zu Guang	*(resigned on 17 March 2014)*
Ms. Shen Li	
Mr. Sheng Jia	*(appointed as executive Director on 23 December 2013)*

Independent Non-executive Directors:

Mr. Neo Poh Kiat
Dr. Lau Reimer Mary Jean
Mr. Lee Sze Wai

In accordance with Article 83(3) of the Articles of Association of the Company, Mr. Phang Yew Kiat and Mr. Sheng Jia, being Directors appointed on 23 December 2013 as additions to the Board subsequent to the previous annual general meeting, shall hold office only until the Annual General Meeting and being eligible for re-election. Ms. Shen Li, Mr. Neo Poh Kiat and Mr. Lee Sze Wai shall retire as Directors at the Annual General Meeting pursuant to Article 84(1) of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 12 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ting Pang Wan, Raymond ("Mr. Ting") and Ms. Shen Li ("Ms. Shen") has entered into a service contract (the "Service Contract") on 28 February 2014 with the Company for a term of 1 year and 10 months commencing from 1 March 2014 to 31 December 2015 (the "Employment Period"). The service contract is not terminable by the Company during the first 10 months of the Employment Period. The service contract shall be terminated by (a) during the Employment Period, by Mr. Ting or Ms. Shen giving one month's notice or giving equivalent amount of payment in lieu of notice to the Company; or (b) upon completion of the first 10 months of the Employment Period, by the Company giving one month's notice as well as compensation payment which is equivalent to the remaining remuneration of the Employment Period.

Save as disclosed, each of the executive Directors has entered into a service contract with the Company for an initial term of three years and renewable automatically for successive terms for one year unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the executive Director not being re-elected as a Director or being removed by shareholders at general meeting of the Company in accordance with the Articles of Association of the Company.

Each of the independent non-executive Directors ("INEDs") was appointed for a fixed term of one year and shall be subject to retirement, re-election and removal in accordance with the Articles of Association of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in notes 13 and 14 to the consolidated financial statements, respectively.

COMPETING INTEREST

Since Kaiser Capital's interests in the Company's issued share capital reduced to 22.8% following the allotment and issue of 477,800,000 consideration shares by the Company for the acquisition of entire equity interests in UCF Huiseng on 27 November 2013, Kaiser Capital is no longer the controlling shareholder of the Company. The annual declaration on compliance with the non-competition undertaking in favour of the Company and the compliance and enforcement of the non-competition undertaking of the controlling shareholder of the Company to be reviewed and confirmed by the INED is no longer applicable.

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

As at 31 December 2013, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required 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 were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in shares of the Company

Name of Director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mr. Shi Zhi Jun	Interest in a controlled corporation	671,000,000 (L)(2)	22.80%
	Beneficial owner	9,600,000 (L)	0.33%
Mr. Ting Pang Wan, Raymond	Beneficial owner	6,000,000 (L)	0.20%
Mr. Sheng Jia	Family Interest (interest of spouse or child under 18)	80,000 (L)(3)	0.00%

Notes:

(1) The letter "L" denotes the entity/person's long position in the securities.

(2) These shares were held by Kaiser Capital Holdings Limited ("Kaiser Capital") the entire issued share capital of which was owned by Mr. Shi Zhi Jun.

(3) These shares were held by Ms. Hu Haichen, the spouse of Mr. Sheng Jia.

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2013.*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(ii) Interests in underlying shares of the Company – physically settled equity derivatives

Name of Director	Capacity	Number of underlying shares interested	Approximate percentage of the Company's issued share capital*
Mr. Ting Pang Wan, Raymond	Beneficial owner	14,490,000 (L)	0.49%
Mr. Shi Zhi Jun	Beneficial owner	2,300,000 (L)	0.08%
Mr. Ji Zu Guang	Beneficial owner	2,300,000 (L)	0.08%
Ms. Shen Li	Beneficial owner	3,500,000 (L)	0.12%
Mr. Neo Poh Kiat	Beneficial owner	800,000 (L)	0.03%
Dr. Lau Reimer Mary Jean	Beneficial owner	800,000 (L)	0.03%
Mr. Lee Sze Wai	Beneficial owner	800,000 (L)	0.03%

Note: The letter "L" denotes the entity/person's long position in the securities.

* *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2013.*

Details of the above share options granted by the Company are set out under the heading "Share Option Scheme" below.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(iii) Interests in the associated corporation – Shanghai Yintong

Name of Director	Capacity	Equity interests in Shanghai Yintong	Approximate percentage of Shanghai Yintong's equity interests*
Mr. Shi Zhi Jun	Interest in a controlled corporation	RMB22 million (L)[2]	55%

Notes:

(1) The letter "L" denotes the entity/person's long position in the securities.

(2) These equity interests were held by Shanghai Jinhan Investment Development Limited, the entire equity interests of which were owned by Mr. Shi Zhi Jun.

* *The percentage represents the amount of equity interests interested divided by Shanghai Yintong's equity interests as at 31 December 2013.*

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 December 2013, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(i) Interests in shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Kaiser Capital	Beneficial owner	671,000,000 (L)(2)	22.80%
First Pay Limited ("First Pay")	Beneficial owner	477,800,000 (L)(5)	16.23%
Mr. Zhang Zhenxin	Interest in a controlled corporation	477,800,000 (L)(5)	16.23%
	Family interest (interest of spouse or child under 18)	18,000,000 (L)(6)	0.61%
Mr. Yam Tak Cheung	Interest in a controlled corporation	416,193,600 (L)(4)	14.14%
Integrated Asset Management (Asia) Limited ("Integrated Asset")	Beneficial owner	416,193,600 (L)(4)	14.14%
Jiefang Media (UK) Co. Limited ("Jiefang Media")	Beneficial owner	336,222,400 (L)(3)	11.42%
Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing")	Interest in a controlled corporation	336,222,400 (L)(3)	11.42%
Jiefang Daily Group ("Jiefang Group")	Interest in controlled corporations	336,222,400 (L)(3)	11.42%
Shanghai Greenland Group Limited ("Greenland Group")	Interest in controlled corporations	336,222,400 (L)(3)	11.42%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(i) Interests in shares of the Company (continued)

Notes:

(1) The letter "L" denotes the entity/person's long position in the securities.

(2) The interests of Kaiser Capital were also disclosed as the interests of Mr. Shi Zhi Jun in the above section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures".

(3) These shares were held by Jiefang Media. Jiefang Media is wholly-owned by Xinhua Publishing, which is in turn owned by Jiefang Group and its associates as to approximately 50.8% and Greenland Group as to approximately 39%. Therefore, under the SFO, Xinhua Publishing is deemed to be interested in all the shares held by Jiefang Media, and each of Jiefang Group and Greenland Group is deemed to be interested in all the shares held by Jiefang Media through Xinhua Publishing.

(4) These shares were held by Integrated Asset, the entire issued share capital of which was owned by Mr. Yam Tak Cheung.

(5) These shares were held by First Pay, the entire share capital of which was owned by Mr. Zhang Zhenxin.

(6) These shares were held by Ms. Zhang Xiaomin, the spouse of Mr. Zhang Zhenxin.

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2013.*

Save as disclosed above, as at 31 December 2013, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company on 4 November 2010, the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") for the purpose of recognising the contribution of certain executive directors and employees of the Group to the growth of the Group and/or to the listing of the Company's shares on the Stock Exchange.

The Board confirmed that no further options will be granted under the Pre-IPO Scheme. The Pre-IPO Scheme was expired on 9 November 2010.

Details of movements of the share options granted under the Pre-IPO Scheme during the year ended 31 December 2013 were as follows:

				Number of share options			
Category	Date of grant	Exercise period	Exercise price per share	As at 1 January 2013	Granted during the year	Exercised/ Cancelled/ Lapsed during the year	As at 31 December 2013
Director							
Mr. Shi Zhi Jun	4 November 2010	4 May 2011 to 18 November 2015	HK$0.2604	6,720,000	–	(6,720,000)	–
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.2604	6,720,000	–	(6,720,000)	–
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.2604	5,760,000	–	(5,760,000)	–
				19,200,000	–	(19,200,000)	–
Mr. Ji Zu Guang	4 November 2010	4 May 2011 to 18 November 2015	HK$0.2604	6,720,000	–	(6,720,000)	–
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.2604	6,720,000	–	(6,720,000)	–
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.2604	5,760,000	–	(5,760,000)	–
				19,200,000	–	(19,200,000)	–

SHARE OPTION SCHEME (continued)

(a) Pre-IPO Share Option Scheme (continued)

				Number of share options			
Category	Date of grant	Exercise period	Exercise price per share	As at 1 January 2013	Granted during the year	Exercised/ Cancelled/ Lapsed during the year	As at 31 December 2013
Ms. Shen Li	4 November 2010	4 May 2011 to 18 November 2015	HK$0.2604	6,720,000	–	(6,720,000)	–
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.2604	6,720,000	–	(6,720,000)	–
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.2604	5,760,000	–	(5,760,000)	–
				19,200,000	–	(19,200,000)	–
Employee							
Mr. Ding Lu	4 November 2010	4 May 2011 to 18 November 2015	HK$0.2604	6,720,000	–	(6,720,000)	–
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.2604	6,720,000	–	(6,720,000)	–
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.2604	5,760,000	–	(5,760,000)	–
				19,200,000	–	(19,200,000)	–
Total				**76,800,000**	**–**	**(76,800,000)**	**–**

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The exercise price of the outstanding options and the number of shares of the Company to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding options were adjusted with effect from 30 May 2012 as a result of the bonus issue.

SHARE OPTION SCHEME (continued)

(b) Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders on 4 November 2010 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors, including independent non-executive directors, employees of the Group, customers of the Group, consultants, advisers, managers, officers or entity that provides research, development or other technological support to the Group.

Details of movements of the share options granted under the Share Option Scheme during the year ended 31 December 2013 were as follows:

				Number of share options			
Category	Date of grant	Exercise period	Exercise price per share	As at 1 January 2013	Granted during the period	Exercised/ Cancelled/ Lapsed during the period	At 31 December 2013
Director							
Mr. Ting Pang Wan, Raymond	12 July 2013	12 April 2014 to 11 July 2018	HK$0.74	–	14,490,000[4]	–	14,490,000
Mr. Shi Zhi Jun	12 July 2013	12 April 2014 to 11 July 2018	HK$0.74	–	2,300,000[4]	–	2,300,000
Mr. Ji Zu Guang	12 July 2013	12 April 2014 to 11 July 2018	HK$0.74	–	2,300,000[4]	–	2,300,000
Ms. Shen Li	12 July 2013	12 April 2014 to 11 July 2018	HK$0.74	–	3,500,000[4]	–	3,500,000
Mr. Neo Poh Kiat	4 April 2011	4 January 2012 to 3 April 2016	HK$1.0050[5]	600,000[2][5]	–	–	600,000
	12 July 2013	12 April 2014 to 11 July 2018	HK$0.74	–	200,000[4]	–	200,000
Dr. Lau Reimer Mary Jean	4 April 2011	4 January 2012 to 3 April 2016	HK$1.0050[5]	600,000[2][5]	–	–	600,000
	12 July 2013	12 April 2014 to 11 July 2018	HK$0.74	–	200,000[4]	–	200,000

SHARE OPTION SCHEME (continued)

(b) Share Option Scheme (continued)

Category	Date of grant	Exercise period	Exercise price per share	Number of share options: As at 1 January 2013	Granted during the period	Exercised/ Cancelled/ Lapsed during the period	At 31 December 2013
Mr. Lee Sze Wai	4 April 2011	4 January 2012 to 3 April 2016	HK$1.0050(5)	600,000(2)(5)	–	–	600,000
	12 July 2013	12 April 2014 to 11 July 2018	HK$0.74	–	200,000(4)	–	200,000
				1,800,000	23,190,000	–	24,990,000
Employee	4 April 2011	4 January 2012 to 3 April 2016	HK$1.0050(5)	2,484,000(2)(5)	–	–	2,484,000
	12 July 2013	12 April 2014 to 11 July 2018	HK$0.74	–	14,110,000(4)	(1,880,000)	12,230,000
				2,484,000	14,110,000	(1,880,000)	14,714,000
Consultant	4 April 2011	4 January 2012 to 3 April 2016	HK$1.0050(5)	39,840,000(2)(5)	–	–	39,840,000
	27 September 2011	27 March 2012 to 26 September 2016	HK$0.4725(5)	36,000,000(3)(5)	–	(22,000,000)	14,000,000
				75,840,000	–	(22,000,000)	53,840,000
Total				80,124,000	37,300,000	(23,880,000)	93,544,000

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$1.21.

(3) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.485.

(4) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$0.75.

(5) The exercise price of the outstanding options and the number of shares of the Company to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding options were adjusted with effect from 30 May 2012 as a result of the bonus issue.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year, the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above, at no time during the year was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following continuing connected transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

Structure Contracts

Shanghai Yintong has entered into the Structure Contracts with Lucky Consultants and its equity holders, namely, Jinhan Investment and Xinrong Asset, pursuant to which all the business activities of Shanghai Yintong are managed by Lucky Consultants and all economic benefits and risks arising from the business of Shanghai Yintong are transferred to Lucky Consultants.

Jinhan Investment was wholly beneficially owned by Mr. Shi Zhi Jun (a substantial shareholder of the Company) and Xinrong Asset was wholly-owned by Xinhua Publishing (a substantial shareholder of the Company). As Jinhan Investment and Xinrong Asset are connected persons of the Company within the meaning of the GEM Listing Rules, the transactions contemplated under the Structure Contracts are continuing connected transactions of the Company under the GEM Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (continued)

Structure Contracts (continued)

The following is a summary of the principal terms of the Structure Contracts:

(1) Management Agreement

On 25 February 2010, Jinhan Investment, Xinrong Asset, Shanghai Yintong and Lucky Consultants entered into the Management Agreement, pursuant to which Lucky Consultants agreed to manage and operate the secured financing business of Shanghai Yintong. Under the Management Agreement, Lucky Consultants is responsible for the management and operation of Shanghai Yintong.

Under the Management Agreement, Lucky Consultants shall assume all economic benefits and risks arising from the business of Shanghai Yintong. The revenue of Shanghai Yintong, after deducting all relevant costs and expenses (including taxes) shall be paid to Lucky Consultants after the accounts of Shanghai Yintong have been audited.

The term of the Management Agreement is 10 years commencing on 25 February 2010, and renewable at the request of Lucky Consultants.

(2) Pledge Agreement

On 25 February 2010, Jinhan Investment, Xinrong Asset, Shanghai Yintong and Lucky Consultants entered into the Pledge Agreement, pursuant to which Jinhan Investment and Xinrong Asset granted to Lucky Consultants a continuing first priority security interest over their respective equity interests in the registered capital of Shanghai Yintong (the "Pledged Securities"). The Pledged Securities represent the entire equity interests in the registered capital of Shanghai Yintong, and the entering into of the Pledge Agreement secures due performance of the contractual obligations by Jinhan Investment, Xinrong Asset and Shanghai Yintong under the Structure Contracts.

The Pledge Agreement is for a term commencing on 25 February 2010 and ending on the date of termination of the Management Agreement.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (continued)

Structure Contracts (continued)

The INEDs have reviewed the above continuing connected transactions and confirmed that in respect of the Structure Contracts, a) the transactions carried out during the year ended 31 December 2013 have been entered into in accordance with the relevant provisions of the Structure Contracts and have been operated so that all revenue generated by Shanghai Yintong has been retained as management and operation fee by Lucky Consultants; b) no dividends or other distributions have been made by Shanghai Yintong to its equity interest holders; and c) any new contracts or renewed contracts have been entered into on the same terms as the existing Structure Contracts and are fair and reasonable so far as the Group is concerned and in the interest of the Shareholders as a whole.

With respect to the Structure Contracts, the INEDs do not have any present intention to exercise the option to acquire any or all of the equity interests in and/or assets of Shanghai Yintong from Jinhan Investment and/or Xinrong Asset.

The auditor of the Company have performed procedures on the continuing connected transactions and issued a letter to the Board to confirm that:

i) the disclosed continuing connected transactions have been approved by the Company's board of directors;

ii) for transactions involving the provisions of goods or services by the Group, they have not found that the transactions were not in accordance with the pricing policies of the Company; and

iii) they have not found that the transactions were not entered into in accordance with the relevant agreements governing such transactions.

CONNECTED PARTY TRANSACTIONS

The connected transactions between the Group and its associates during the year ended 31 December 2013 are as follows:

On 31 October 2013, Shenyi Investment Consultancy (Shanghai) Limited ("Shenyi"), an indirect 60%-owned subsidiary of the Company, entered into an agreement between Rongtong Finance Lease (Shanghai) Company Limited ("Rongtong") for the acquisition of a vehicle at the consideration of RMB530,000. Rongtong is a jointly controlled entity held as to 35% indirectly by the Company and 30% indirectly by Topsource International Holding Co., Limited, a company beneficially-owned by Xinhua Publishing, a substantial shareholder of the Company.

On 4 November 2013, Shenyi entered into agreements with Rongtong for the acquisition of two vehicles at the consideration of RMB290,000 and RMB1,130,000 respectively.

On 6 December 2013, Shenyi entered into the an agreement with Rongtong for the acquisition of a vehicle at the consideration of RMB540,000.

The above connected transactions are subject to the reporting and announcement requirements, but are exempt from the independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Save for the transactions disclosed under "Non-exempt Continuing Connected Transactions" and "Connected Party Transactions", details of the related party transactions entered into by the Group are set out in note 39 to the consolidated financial statements which do not constitute notifiable connected transactions under the GEM Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the INEDs to be independent.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 34 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2013 have been audited by SHINEWING (HK) CPA Limited, who will retire and a resolution to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ting Pang Wan, Raymond
Chairman

Hong Kong, 13 March 2014

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CREDIT CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Credit China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 195, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
13 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	7	**269,728**	302,422
Interest income	7	**146,276**	131,527
Interest expenses	10	**(37,822)**	(19,427)
Net interest income		**108,454**	112,100
Financial consultancy service income	7	**123,452**	170,895
		231,906	282,995
Other income	9	**20,492**	17,537
Loss on deemed disposal of subsidiaries	38	**(1,525)**	–
Administrative and other operating expenses		**(113,213)**	(68,548)
Change in fair value of investment property		**75,677**	–
Change in fair value of derivative and embedded derivative components of convertible bond and exchangeable bond		**(420)**	(2,788)
Change in fair value of contingent consideration receivable		**(468)**	–
Loss on early redemption of corporate bonds		**–**	(2,466)
Share-based payment expenses		**(5,464)**	(2,888)
Share of results of associates		**(1,960)**	(1,015)
Share of results of joint ventures		**1,508**	449
Profit before tax	11	**206,533**	223,276
Income tax	12	**(51,768)**	(59,002)
Profit for the year		**154,765**	164,274

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(2,308)**	(1,645)
Change in fair value of available-for-sale investments		**(754)**	2,156
Other comprehensive (expense) income for the year, net of income tax		**(3,062)**	511
Total comprehensive income for the year		**151,703**	164,785
Profit for the year attributable to:			
Owners of the Company		**141,247**	149,534
Non-controlling interests		**13,518**	14,740
		154,765	164,274
Total comprehensive income for the year attributable to:			
Owners of the Company		**137,872**	149,702
Non-controlling interests		**13,831**	15,083
		151,703	164,785
		RMB	RMB
Earnings per share	16		
Basic		**5.78 cents**	7.05 cents
Diluted		**5.69 cents**	6.84 cents

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Plant and equipment	17	**15,014**	5,533
Investment property	18	**513,000**	–
Intangible assets	19	**135,835**	–
Goodwill	20	**37,820**	–
Available-for-sale investments	21	**1,125**	34,054
Loan receivables	24	**157,141**	–
Contingent consideration receivable	37	**8,452**	–
Derivatives embedded in convertible bond	21	**–**	28
Pledged bank deposits	26	**30,008**	–
Interests in associates	22	**1,025**	2,985
Interests in joint ventures	23	**2,817**	1,295
		902,237	43,895
Current assets			
Available-for-sale investments	21	**32,675**	–
Loan receivables	24	**843,815**	979,997
Prepayments and other receivables	24	**44,738**	17,153
Amounts due from joint ventures	23	**55,089**	67,437
Amounts due from associates	22	**525**	–
Amounts due from related companies	25	**172,824**	–
Income tax recoverable		**57**	–
Bank balances and cash	26	**259,591**	212,558
		1,409,314	1,277,145
Current liabilities			
Accruals and other payables	27	**34,451**	116,068
Deposits received	28	**–**	15,878
Amounts due to non-controlling shareholders	29	**1,173**	76,597
Amounts due to related companies	25	**179,327**	–
Borrowings	30	**434,041**	48,834
Financial assets sold under repurchase agreement	31	**29,914**	–
Derivatives embedded in convertible bond	21	**392**	–
Corporate bonds	33	**255,611**	–
Income tax payables		**7,989**	49,408
		942,898	306,785
Net current assets		**466,416**	970,360
Total assets less current liabilities		**1,368,653**	1,014,255

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Corporate bonds	33	–	252,776
Deferred tax liabilities	32	**74,228**	4,448
		74,228	257,224
Net assets		**1,294,425**	757,031
Capital and reserves			
Share capital	34	**245,773**	180,649
Reserves		**948,362**	563,213
Equity attributable to owners of the Company		**1,194,135**	743,862
Non-controlling interests		**100,290**	13,169
Total equity		**1,294,425**	757,031

The consolidated financial statements on pages 56 to 195 were approved and authorised for issue by the board of directors on 13 March 2014 and are signed on its behalf by:

Mr. Ting Pang Wan, Raymond
Director

Ms. Shen Li
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000 *(Note (a))*	Statutory reserve RMB'000 *(Note (b))*	Retained profits RMB'000	Investment revaluation reserve RMB'000 *(Note (c))*	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Capital reserve RMB'000 *(Note (d))*	Special reserve RMB'000 *(Note (e))*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	149,870	256,200	8,494	183,555	–	766	23,733	(8,861)	40,000	653,757	3,763	657,520
Profit for the year	–	–	–	149,534	–	–	–	–	–	149,534	14,740	164,274
Other comprehensive income (expense) for the year	–	–	–	–	2,156	(1,988)	–	–	–	168	343	511
Total comprehensive income (expense) for the year	–	–	–	149,534	2,156	(1,988)	–	–	–	149,702	15,083	164,785
Issue of shares upon exercise of share options *(Note 34(a))*	1,827	9,055	–	–	–	–	(522)	–	–	10,360	–	10,360
Issue of bonus shares *(Note 34(b))*	28,952	(28,952)	–	–	–	–	–	–	–	–	–	–
Lapsed of share options	–	–	–	131	–	–	(131)	–	–	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	(42,790)	–	(42,790)	(6,294)	(49,084)
Deemed partial disposal of subsidiary	–	–	–	–	–	151	–	(605)	–	(454)	617	163
Dividends recognised as distribution	–	(29,601)	–	–	–	–	–	–	–	(29,601)	–	(29,601)
Appropriation to statutory reserve funds	–	–	5,976	(5,976)	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	2,888	–	–	2,888	–	2,888
At 31 December 2012	180,649	206,702	14,470	327,244	2,156	(1,071)	25,968	(52,256)	40,000	743,862	13,169	757,031
At 1 January 2013	180,649	206,702	14,470	327,244	2,156	(1,071)	25,968	(52,256)	40,000	743,862	13,169	757,031
Profit for the year	–	–	–	141,247	–	–	–	–	–	141,247	13,518	154,765
Other comprehensive income (expense) for the year	–	–	–	–	(754)	(2,621)	–	–	–	(3,375)	313	(3,062)
Total comprehensive income (expense) for the year	–	–	–	141,247	(754)	(2,621)	–	–	–	137,872	13,831	151,703
Issue of shares upon exercise of share options *(Note 34(c))*	7,892	39,178	–	–	–	–	(22,734)	–	–	24,336	–	24,336
Issue of shares under placing *(Note 34(d))*	19,462	136,234	–	–	–	–	–	–	–	155,696	–	155,696
Issue of shares for acquisition of subsidiary *(Note 34(e))*	37,770	207,735	–	–	–	–	–	–	–	245,505	–	245,505
Acquisition of additional interests in subsidiaries *(Note 37)*	–	–	–	–	–	–	–	(76,311)	–	(76,311)	(4,623)	(80,934)
Deemed partial disposal of subsidiaries *(Note 42(a))*	–	–	(328)	–	–	–	–	(4,871)	–	(5,199)	5,199	–
Deemed disposal of subsidiaries *(Note 38)*	–	–	–	–	–	(3,610)	–	–	–	(3,610)	–	(3,610)
Dividends recognised as distribution	–	(30,101)	–	–	–	–	–	–	–	(30,101)	–	(30,101)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(2,522)	(2,522)
Share issue expenses	–	(3,379)	–	–	–	–	–	–	–	(3,379)	–	(3,379)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	75,236	75,236
Appropriation to statutory reserve funds	–	–	13,171	(13,171)	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	5,464	–	–	5,464	–	5,464
At 31 December 2013	245,773	556,369	27,313	455,320	1,402	(7,302)	8,698	(133,438)	40,000	1,194,135	100,290	1,294,425

(a) Share premium

Under the Companies Law of the Cayman Islands (2009 Revision), the share premium of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay debts as they fall due in the ordinary course of business. During the year ended 31 December 2012 and 31 December 2013, dividends were funded out of its share premium.

(b) Statutory reserve

In accordance with the relevant regulations applicable in the People's Republic of China (the "PRC"), companies established in the PRC are required to transfer at least 10% of their statutory annual profits after tax in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of directors of the respective PRC companies.

(c) Investment revaluation reserve

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income/(expense), net of amounts reclassified to profit or loss when those investments have been disposed of or are determined to be impaired.

(d) Capital reserve

The capital reserve of the Group represents the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received arising from changes in the Group's ownership interests in existing subsidiaries that do not result in the loss of control and are accounted for as equity transactions.

(e) Special reserve

The special reserve represented the difference between the aggregate amount of paid-in capital of Ever Step Holdings Limited ("Ever Step") and 上海銀通典當有限公司 ("Shanghai Yintong") and the amount of share capital of the Company issued to Kaiser Capital Holdings Limited ("Kaiser Capital") and Jiefang Media (UK) Co. Limited ("Jiefang Media"), which are 100% owned by the controlling shareholders, in 2010 in exchange for the entire equity interests in the above companies as part of the reorganisation completed on 25 February 2010 to rationalise the Group's structure in preparation for the listing of the Company's shares on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**206,533**	223,276
Adjustments for:		
Depreciation	**2,704**	2,158
Interest expenses	**37,822**	19,427
Interest income	**(7,920)**	(6,638)
Government grants income	**(12,321)**	(6,481)
Loss on deemed disposal of subsidiaries	**1,525**	–
Share-based payment expenses	**5,464**	2,888
Change in fair value of investment property	**(75,677)**	–
Change in fair value of contingent consideration receivable	**468**	–
Loss on early redemption of corporate bonds	**–**	2,466
Change in fair value of derivative and embedded derivative components of convertible bond and exchangeable bond	**420**	2,788
Written off of plant and equipment	**–**	59
Share of results of associates	**1,960**	1,015
Share of results of joint ventures	**(1,508)**	(449)
Waive of interest upon exercise of the exchangeable bond	**–**	(4,408)
Operating cash inflows before movements in working capital	**159,470**	236,101
Decrease in other assets	**–**	82
Decrease (increase) in loan receivables	**69,479**	(418,930)
Increase in prepayments and other receivables	**(22,161)**	(11,361)
(Decrease) increase in accruals and other payables	**(80,759)**	91,890
Decrease in deposits received	**(15,878)**	(114,243)
Cash from (used in) operations	**110,151**	(216,461)
Income tax paid	**(57,423)**	(48,999)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**52,728**	(265,460)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Purchase of plant and equipment		**(11,672)**	(2,213)
Repayment from (advance to) joint ventures		**12,348**	(23,679)
Repayment from related parties		**893**	–
Advance to associates		**(525)**	
Acquisition of investment property		**(437,323)**	–
Capital contribution to associate		**–**	(4,000)
Net cash outflow on deemed disposal of a subsidiary	38	**(17)**	–
Net cash outflow on acquisition of subsidiaries	37	**(1,400)**	–
Increase in pledged bank deposits		**(30,008)**	–
Interest income received		**11,390**	2,270
NET CASH USED IN INVESTING ACTIVITIES		**(456,314)**	(27,622)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**155,696**	–
Proceeds from issuance of corporate bonds		**–**	250,000
Proceeds from exercise of option		**24,336**	10,360
Proceeds from promissory note		**–**	28,333
(Repayment to) advance from non-controlling shareholders		**(29)**	153
Repayment to related parties		**(584)**	–
Share issue expenses paid		**(3,379)**	–
New loans raised		**434,041**	48,834
Proceeds from financial assets sold under repurchase agreement		**30,000**	–
Repayment of borrowings		**(48,834)**	–
Government grants received		**12,321**	6,481
Dividends paid		**(30,101)**	(29,601)
Dividends paid to non-controlling interests		**(2,522)**	–
Transaction costs directly attributable to the issuance of corporate bonds		**–**	(5,792)
Early redemption of corporate bonds		**–**	(100,000)
Net cash outflow from acquisition of additional interest in subsidiaries		**(84,177)**	(42,000)
Interest paid on corporate bonds		**(27,500)**	(8,129)
Interest paid		**(6,173)**	(148)
Arrangement fee paid for the financial assets sold under repurchase agreement		**(1,400)**	–
NET CASH FROM FINANCING ACTIVITIES		**451,695**	158,491
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**48,109**	(134,591)
Effect of foreign exchange rate changes		**(1,076)**	(1,471)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**212,558**	348,620
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**259,591**	212,558

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 4 January 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The financial statements are presented in Renminbi ("RMB"). Other than those subsidiaries established in the PRC and certain subsidiaries of which primary sources of revenues are dividends which are derived from the operation of its major subsidiary operating in Mainland China, whose functional currency is RMB, the functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$").

The Company's principal activity during the year was provision of consultancy service and investment holding. The principal activities of the subsidiaries are set out in note 42(a).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretations Committee) ("IFRIC") – Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRS, and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Specifically, the Group does not have any equity interests in Shanghai Yintong and 大連先鋒商務服務有限公司 ("Dalian UCF"). The Group entered into a series of agreements (the "Structure Contracts") with Shanghai Yintong and its equity owner in February 2010; and Dalian UCF and its equity owner in November 2013 respectively. Notwithstanding the lack of equity ownership, through the Structure Contracts, the Group is able to exercise control over Shanghai Yintong and Dalian UCF by way of controlling the voting rights of Shanghai Yintong and Dalian UCF, governing their financial and operating policies, appointing and removing the majority of the members of their controlling authorities, casting the majority of votes at meeting of such authorities and deriving economic benefits from Shanghai Yintong and Dalian UCF. Accordingly, Shanghai Yintong and Dalian UCF are accounted for as subsidiaries of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of HKFRS 10 (continued)

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 on the date of acquisition of Shanghai Yintong and Dalian UCF as to whether or not the Group has control over Shanghai Yintong and Dalian UCF in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over Shanghai Yintong and Dalian UCF on the basis of the Structure Contracts as mentioned above. Therefore, in accordance with the requirements of HKFRS 10, Shanghai Yintong and Dalian UCF are subsidiaries of the Company. The directors of the Company also concluded that the Group remains control the companies of which the Group held more than 50% of the shareholdings and the voting rights through nomination of the directors in those companies to govern the relevant activities.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of HKFRS 11 (continued)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the Group's investment in Measure Up International Limited ("Measure Up"), which was classified as a jointly controlled entity under HKAS 31 should be classified as a joint venture under HKFRS 11 and continue to account for using the equity method.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 13 Fair Value Measurement (continued)

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 6 and 18 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation or amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Annual Improvements to HKFRSs 2010-2012 Cycle (continued)

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

– All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

– The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC) – Int 21 Levies

HK(IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK(IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Change in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of subsidiaries, it (i) derecognises the assets and liabilities of the subsidiaries at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiaries at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. The fair value of any investment retained in the former subsidiaries at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in joint ventures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

– and assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRSs.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGU (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL including financial assets designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, other receivables, amounts due from joint ventures, amount due from associates, amounts due from related companies, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group has designated the debt element of an investment in convertible bond as an available-for-sale investment on initial recognition of those items.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Available-for-sale equity financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, where the carrying amount is reduced through the use of an allowance account. When a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form as integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, including accruals and other payables, deposits received, amounts due to non-controlling shareholders, amounts due to related companies, borrowings, financial assets sold under repurchases agreement and corporate bonds, are subsequently measured at the amortised cost, using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Mandatory Provident Fund Scheme in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax", as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probably that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business net of sale related taxes.

Financing consultancy service income is recognised when the services are provided (for example, financial advisory and service fees).

Interest income, including administrative fee income, from financing service and a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from financing service and a financial asset (including the interest-bearing convertible bond designated as an available-for-sale investment) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as "Other assets".

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into presentation currency of the Group (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expense are translated at the average rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over subsidiaries that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to business associates

Share options issued in exchange for services are measured at the fair values of the services received. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

When the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are cancelled and forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

De facto control over subsidiaries

Notwithstanding the lack of equity ownership in Shanghai Yintong and Dalian UCF, the Group is able to exercise control over Shanghai Yintong and Dalian UCF through the Structure Contracts.

The directors of the Company assessed whether or not the Group has control over Shanghai Yintong and Dalian UCF based on whether the Group has the practical ability to direct the relevant activities of Shanghai Yintong and Dalian UCF unilaterally. In making their judgement, the directors of the Company considered the Group's rights through the Structure Contracts. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Shanghai Yintong and Dalian UCF and therefore the Group has control over Shanghai Yintong and Dalian UCF.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of investment properties as the Group is subject to PRC Enterprise Income Tax (the "EIT") and Land Appreciation Tax ("LAT") on disposal of its investment properties.

Classification of joint arrangements

The directors of the Company assessed whether joint arrangement has been established following the deemed disposal of 49% equity interests in Absolute Wise Holdings Limited ("Absolute Wise") as detailed in note 38, based on the composition of board of Absolute Wise of which decision about the relevant activities cannot be made without both parties agreeing. After assessment, the directors of the Company concluded that the joint arrangement has been established and Absolute Wise is classified as a joint venture of the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loan receivables

The policy for impairment of loan receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgements. A considerable amount of judgement is required in assessing the ultimate realisation of loan receivables from these customers, if applicable, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required. No impairment loss had been provided for the year ended 31 December 2013 (2012: Nil).

Loan receivables mainly include financing advances provided to customers which are mainly secured by real estate and other collaterals. Apart from assessing the financial positions of customers, the management further reviews value of the pledged real estate and other collaterals by reference to recent market transactions in comparable properties or fair values determined by the directors. If the market value of secured real estate and other collaterals is deteriorated and is below the carrying amount of the corresponding financing advances, provision on impairment may be required.

Share-based payment expenses

The fair value of the share options granted to the directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment of intangible assets

The management of the Group determines whether the intangible assets are impaired, at least on an annual basis. The impairment loss for intangible assets are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of intangible assets have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2013, the carrying amount of intangible assets is approximately RMB135,835,000.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill is approximately RMB37,820,000. No impairment losses were recognised for the year ended 31 December 2013.

Fair value of contingent consideration receivable

The Group's business acquisition involved post-acquisition performance-based contingent considerations. The Group recognises the fair value of those contingent considerations for acquisition, as of their acquisition date as part of the consideration transferred in exchange for the acquired business.

These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement on time value of money. Contingent considerations receivable shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income.

Judgement is applied to determine key assumptions (such as sales growth, gross margins growth and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future receivable amount. As at 31 December 2013, the carrying value of the contingent consideration receivable is approximately RMB8,452,000.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimation useful life of intangible assets

Determining whether useful life of licences is indefinite requires an estimation of ability to renew the licences, cost of renewal in the future and the expected life of the licences to generate net cash flows for the Group. Any changes in these assumptions can significantly affect the useful life of the licences.

Impairment of available-for-sales investments

The management of the Group reviews the available-for-sales investments periodically to assess whether any impairment losses exist and any indication of impairment. The objective evidence of impairment for available-for-sale financial assets includes adverse changes in the financial performance of the investments, the management of the Group will also consider the historical fluctuation records of market condition, financial position and performance of related industry.

Investment properties

Investment properties are stated at fair values based on the valuations performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the Company are responsible in determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The directors regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments, including the investment properties, derivative embedded in convertible bond and contingent consideration receivable. Notes 6 and 18 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Income taxes

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

5. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, net debt is defined as all borrowings, less bank balances and cash and capital comprises all components of equity.

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Borrowings	**719,566**	301,610
Less: Bank balances and cash	**(259,591)**	(212,558)
Net debt	**459,975**	89,052
Equity attributable to owners of the Company	**1,194,135**	743,862
Net debt-to-capital ratio	**39%**	12%

The directors of the Company review the capital structure regularly. As part of the review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts, the repayment of existing debts, payment of dividend and issuance of new shares. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**–**	28
Available-for-sale financial assets	**33,800**	34,054
Contingent consideration receivable	**8,452**	–
Loans and receivables (including bank balances and cash)	**1,528,066**	1,276,125
	1,570,318	1,310,207
Financial liabilities		
At amortised costs	**923,100**	484,194
Financial liabilities at fair value through profit or loss	**392**	–
	923,492	484,194

The Group's major financial instruments include available-for-sale financial assets, derivative embedded in convertible bond, contingent consideration receivable, loan receivables, other receivables, amounts due from joint ventures, amounts due from related companies, amounts due from associates, pledged bank deposits, bank balances and cash, accruals and other payables, deposits received, amounts due to non-controlling shareholders, amounts due to related companies, borrowings, financial assets sold under repurchase agreement and corporate bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (continued)

b) Credit risk

The Group's credit risk is primarily attributable to loan receivables. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

In respect of loan receivables, representing financing advances to customers under the Group's pawn loans business, other secured loan business, entrusted loan business and microfinance business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

36% (31 December 2012: 66%) of all financing advances given out as at 31 December 2013 are backed by real estate situated in Shanghai or Chongqing, the PRC, as security. The Group also focuses on identifying legal ownership and the valuation of the real estate collaterals. An advance given out is based on the value of collaterals and is in general approximately 2% – 54% (2012: 30% – 50%) of the estimated value of the collaterals. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Advances to customers are due by the date as specified in the corresponding loan agreement.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 8% (31 December 2012: 16%) of the total loan receivables as at 31 December 2013 was due from the Group's largest customer and 35% (31 December 2012: 40%) of the total loan receivables as at 31 December 2013 was due from the Group's five largest customers for the Group's other loan business and entrusted loan business.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, including Hong Kong, which accounted for 100% (31 December 2012: 100%) of the total loan receivables as at 31 December 2013.

With respect to credit risk arising from amounts due from related companies, amounts due from associates and amounts due from joint ventures, the Group's exposure to credit risk arising from default of the counterparties are limited as the counterparties have sufficient net assets to repay its debts and a good history of repayment. The Group does not expect to incur a significant loss for uncollected amounts due from these related companies, associates and joint ventures.

6. FINANCIAL INSTRUMENTS (continued)

b) Credit risk (continued)

The credit risk for bank balances and pledged bank deposits is considered minimal as such amounts are placed with banks with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk without taking account of the collateral held is represented by the carrying amount of loan receivables as at the end of the reporting period. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan receivables is set out in note 24.

c) Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial instruments, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group will be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk (continued)

Liquidity risk tables

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flow RMB'000	Carrying Amount RMB'000
As at 31 December 2013					
Accruals and other payables	–	23,035	–	23,035	23,035
Amounts due to non-controlling shareholders	–	1,173	–	1,173	1,173
Amounts due to related companies	–	179,327	–	179,327	179,327
Borrowings *(Note)*	14%	483,387	–	483,387	434,041
Financial assets sold under repurchases agreement	8.5%	30,551	–	30,551	29,914
Corporate bonds	11%	277,500	–	277,500	255,611
		994,973	–	994,973	923,101

Note:

Borrowings with a repayment on demand clause are included in the 'on demand or less than 1 month' time band in the above maturity analysis. As at 31 December 2013, the aggregate undiscounted principal amounts of these bank loans amounted to RMB210,468,000.

6. FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk (continued)

Liquidity risk tables (continued)

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flow RMB'000	Carrying Amount RMB'000
As at 31 December 2012					
Accruals and other payables	–	90,109	–	90,109	90,109
Deposit received	0.28% – 0.32%	15,925	–	15,925	15,878
Amounts due to non-controlling shareholders	–	76,597	–	76,597	76,597
Borrowings	13%	48,834	–	48,834	48,834
Corporate bonds	11%	27,500	277,500	305,000	252,776
		258,965	277,500	536,465	484,194

d) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its loan receivables, bank balances, borrowings, deposits received and corporate bonds. Bank balances, borrowings and deposits received at variable rates expose the Group to cash flow interest-rate risk, while loan receivable, borrowings and corporate bonds at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS (continued)

d) Interest rate risk (continued)

The Group's loan receivables, bank balances, pledged bank deposits, deposits received, borrowings and corporate bonds at and interest rates as at 31 December 2013 and 2012 are set as below:

	Interest rate	As at 31 December 2013 RMB'000	2012 RMB'000
Fixed rate loan receivables	2013: 3.00% – 5.00% per month (2012: 2.00% – 5.00% per month)	**1,000,956**	979,997
Fixed rate corporate bonds	2013: 11.00% p.a. (2012: 11.00% p.a.)	**255,611**	252,776
Variable rate bank balances	2013: 0.01% – 1.5% p.a. (2012: 0.01% – 3.50% p.a.)	**289,599**	212,558
Variable rate deposits received	0.28% – 0.32 % p.a.	**–**	15,878
Fixed rate borrowings	8% – 24% p.a.	**223,573**	–
Fixed rate financial assets sold under repurchase agreement	7% – 9% p.a.	**29,914**	–
Variable rate borrowings	2.19% – 5.15% p.a.	**210,468**	–

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank balances, pledged bank deposits, borrowings, financial assets under repurchase agreement and deposits received. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

6. FINANCIAL INSTRUMENTS (continued)

d) Interest rate risk (continued)

50 basis points have been used for variable rate bank balances, borrowings and deposits received.

For variable rate bank balances, if the interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would increase/decrease by approximately RMB1,130,000 (2012: approximately RMB782,000).

For variable rate deposits received, if the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by approximately RMB60,000 as of 31 December 2012.

For variable rate borrowings, if the interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by approximately RMB45,000 as of 31 December 2013.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at 31 December 2013 and 2012 and had been applied to the exposure to interest risk for financial investments in existence at those dates. The analysis has been performed on the same basis throughout the two years ended 31 December 2013 and 2012.

e) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

Amounts due from joint ventures and corporate bonds are denominated in RMB, amounts due to non-controlling shareholders are denominated in United States dollars ("US$"), and certain bank balances are denominated in RMB, HK$ and US$, which are currencies other than the functional currency of the relevant group entities.

6. FINANCIAL INSTRUMENTS (continued)

e) Foreign currency risk (continued)

The following table shows the Group's exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	As at 31 December			
	Liabilities		Assets	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**710**	406	**32**	4,335
RMB	**255,611**	252,776	**56,219**	127,894
US$	**53,589**	76,191	**11,644**	203

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

If a 5% (2012: 5%) increase/decrease in HK$ against the RMB and all other variables were held constant, the Group's profit after tax for the year would increase/decrease by approximately RMB7,751,000 (2012: increase/decrease by approximately RMB4,739,000). The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis includes cash and cash equivalents where the denomination is HK$ other than the functional currency.

6. FINANCIAL INSTRUMENTS (continued)

e) Foreign currency risk (continued)

Sensitivity analysis (continued)

If a 5% increase/decrease in US$ against the RMB and all other variables were held constant, the Group's profit after tax for the year would decrease/increase by approximately RMB1,636,000 (2012: decrease/increase by approximately RMB2,796,000). 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis includes cash and cash equivalents where the denomination is US$ other than the functional currency.

f) Fair value measurements of financial instruments

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS (continued)

f) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Derivatives embedded in convertible bond in the statement of financial position	Liabilities – RMB392,000	Level 3	Black-Scholes option pricing model based on the stock price, volatility, dividend yield and risk free rate	Dividend yield taking into account management's expectation of market conditions of specific industries at 7.50%. (2012: 12.27%) *(Note 1)* Weighted average cost of capital (WACC), determined using a Capital Asset Pricing Model at 9.09%. (2012: 9.89% to 9.92%)
Contingent consideration receivable	Assets – RMB8,452,000	Level 3	Discount cash flow with key inputs on long-term revenue growth rate, gross profit margin and discount rate	Long-term revenue growth rates taking into account management's experience and knowledge of market conditions of the specific industries at 26%. *(Note 2)* Weighted average cost of capital (WACC), determined using a Capital Asset Pricing Model at 26.5%

Notes:

1) An increase in the dividend yield used in isolation would result in an increase in the fair value measurement of the derivatives embedded in convertible bond, and vice versa.

2) An increase in the revenue growth rate would result in a decrease in the fair value measurement of the contingent consideration receivable, and vice versa.

6. FINANCIAL INSTRUMENTS (continued)

f) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

There were no transfers between levels of fair value hierarchy in current and prior year.

The level in the fair value hierarchy within which the financial asset or (liability) is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets (liabilities) of the Group at fair value in the statement of financial position are grouped into fair value hierarchy as follows:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2013				
Derivatives embedded in convertible bond	–	–	(392)	(392)
Contingent consideration receivable	–	–	8,452	8,452
	–	–	8,060	8,060
31 December 2012				
Derivatives embedded in convertible bond	–	–	28	28

7. TURNOVER

The principal activities of the Group are provision of pawn loan service, entrusted loan service, other loan service, microfinance service and financing consultancy service.

Turnover represents interest income (either from real estate pawn loans, personal property or other collateral-backed pawn loans, real estate-backed loans, other loans, entrusted loans and micro loans) and financial consultancy service income, net of corresponding sales related taxes. The amount of each significant category of revenue recognised in turnover for the year is as follows:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest income		
Real estate pawn loan service income		
– Administration fee income	**2,022**	6,054
– Interest income	**855**	1,522
Other collateral-backed pawn loan service income		
– Administration fee income	**516**	2,325
– Interest income	**129**	578
Entrusted loan service income		
– Interest income	**106,721**	91,733
Personal property pawn loan service income		
– Administration fee income	**–**	24
– Interest income	**–**	3
Other loan service income		
– Interest income	**7,714**	5,623
Real estate-backed loan service income		
– Interest income	**16,764**	23,650
Microfinance service income		
– Interest income	**11,555**	15
	146,276	131,527
Financial consultancy service income	**123,452**	170,895
Turnover	**269,728**	302,422

8. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operation decision maker ("CODM"), which are the most senior executive management, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Following i) the micro-finance licence being granted and operation of the micro-finance business becoming mature; and ii) the acquisition of the business in the provision of online third-party payment services and prepaid card issuance business, the CODM had revisited the resources allocation and performance assessment of the Group's operating segments, and determined the following reportable and operating segments under HKFRS 8:

1. Loan financing – provision of financing services (other than micro loan financing) in the PRC and Hong Kong;

2. Micro loan financing – provision of micro loan financing services in the PRC;

3. Third-party payment services – provision of online third-party services and prepaid card issuance business; and

4. Others – property investment

No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

8. SEGMENT INFORMATION (continued)

Segment revenue and results

For the year ended 31 December 2013

	Loan financing RMB'000	Micro loan financing RMB'000	Third-party payment services RMB'000	Others RMB'000	Total RMB'000
REVENUE					
External sales	218,321	51,210	197	–	269,728
Segment results	158,084	28,450	(828)	75,677	261,383
Share of results of associates					(1,960)
Share of results of joint ventures					1,508
Unallocated other income					7,920
Change in fair value of derivative and embedded derivative components of convertible bond					(420)
Change in fair value of contingent consideration receivable					(468)
Loss on deemed disposal of subsidiaries					(1,525)
Share-based payment expenses					(5,464)
Interest expenses					(37,822)
Unallocated expenses					(16,619)
Profit before tax					206,533

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2012

	Loan financing RMB'000	Micro loan financing RMB'000	Third-party payment services RMB'000	Others RMB'000	Total RMB'000
REVENUE					
External sales	265,254	37,168	–	–	302,422
Segment results	220,067	33,392	–	–	253,459
Share of results of associates					(1,015)
Share of results of joint ventures					449
Unallocated other income					6,356
Change in fair value of derivative and embedded derivative components of convertible bond and exchangeable bond					(2,788)
Loss on early redemption of corporate bonds					(2,466)
Share-based payment expenses					(2,888)
Interest expenses					(19,427)
Unallocated expenses					(8,404)
Profit before tax					223,276

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit or loss represents profit earned by or loss from each segment without allocation of share of results of associates and joint ventures, unallocated other income, loss on deemed disposal of subsidiaries, loss on early redemption of corporate bonds, change in fair value of derivative and embedded derivative components of convertible bond and exchangeable bond, change in fair value of contingent consideration receivable, central administration costs, share-based payment expenses and interest expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Loan financing	**877,808**	1,004,836
Micro loan financing	**374,715**	210,405
Third-party payment services	**279,891**	–
Others	**513,000**	–
Total segment assets	**2,045,414**	1,215,241
Unallocated corporate assets	**266,137**	105,799
Consolidated total assets	**2,311,551**	1,321,040

Segment liabilities

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Loan financing	**27,209**	130,254
Micro loan financing	**4,832**	1,692
Third-party payment services	**2,410**	–
Total segment liabilities	**34,451**	131,946
Unallocated corporate liabilities	**982,675**	432,063
Consolidated total liabilities	**1,017,126**	564,009

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, interests in joint ventures, derivatives embedded in convertible bond, available-for-sale investments, amounts due from joint ventures, amounts due from associates, amounts due from related companies, income tax recoverable and unallocated corporate assets; and

- all liabilities are allocated to operating segments other than amounts due to non-controlling shareholders, amounts due to related companies, borrowings, financial assets sold under repurchase agreement, derivatives embedded in convertible bond, corporate bonds, deferred tax liabilities, income tax payables and unallocated corporate liabilities.

Other segment information

For the year ended 31 December 2013

	Loan financing RMB'000	Micro loan financing RMB'000	Third-party payment services RMB'000	Others RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	373	5,638	6,274	513,000	525,285
Depreciation and amortisation	2,060	630	14	–	2,704
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interests in associates					1,025
Share of results of associates					(1,960)
Interests in joint ventures					2,817
Share of results of joint ventures					1,508
Interest expenses					(37,822)
Income tax					(51,768)
Loss on deemed disposal of subsidiaries					(1,525)
Share-based payment expenses					(5,464)

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2012

	Loan financing RMB'000	Micro loan financing RMB'000	Third-party payment services RMB'000	Others RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	1,296	917	–	–	2,213
Depreciation and amortisation	2,028	130	–	–	2,158
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interests in associates					2,985
Share of results of associates					(1,015)
Interests in joint ventures					1,295
Share of results of joint ventures					449
Interest expenses					(19,427)
Income tax					(59,002)
Share-based payment expenses					(2,888)

Note:

Non-current assets included plant and equipment and investment property.

8. SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets other than financial instruments is presented based on the geographical location of the assets.

	For the year ended 31 December Revenue from external customers		As at 31 December Non-current assets	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
PRC	**221,682**	276,277	**700,389**	6,078
Hong Kong	**48,046**	26,145	**5,122**	3,735
	269,728	302,422	**705,511**	9,813

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the year are as follows:

	For the year ended 31 December	
	2013 **RMB'000**	2012 RMB'000
Customer A[1]	**38,163**	60,588
Customer B[1]	**–**	34,204
Customer C[1]	**–**	32,357

[1] Revenue from loan financing business

9. OTHER INCOME

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Government grants *(note)*	**12,321**	6,481
Net gain on disposal of other assets	**–**	9
Bank interest income	**1,837**	1,988
Other interest income	**1,756**	–
Interest income on convertible bond	**4,327**	4,368
Interest income from promissory note for overdue settlement	**–**	282
Waive of interest upon exercise of the exchangeable bond	**–**	4,408
Others	**251**	1
	20,492	17,537

Note: Government grants in respect of encouragement of expansion of enterprise were recognised at the time the Group fulfilled the relevant granting criteria.

10. INTEREST EXPENSES

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest on exchangeable bond	**–**	3,646
Interest on corporate bonds	**30,335**	15,633
Interest on bank and other loans	**6,173**	–
Interest on financial assets sold under repurchase agreement	**1,314**	–
Interest on deposits received	**–**	148
	37,822	19,427

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
(a) Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**43,283**	20,187
Contribution to defined contribution retirement benefits scheme *(Note 36)*	**2,170**	1,016
Share-based payment expenses	**5,464**	1,768
	50,917	22,971
(b) Other items		
Auditors' remuneration	**1,288**	900
Depreciation	**2,704**	2,158
Net exchange loss (gain)	**1,047**	(64)
Operating lease charges in respect of properties	**8,353**	5,790
Written off of plant and equipment	**–**	59

12. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represented:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Current tax:		
Provision for PRC EIT	**15,947**	59,055
Over provision in prior year:		
Hong Kong Profits Tax	**–**	(1,697)
Deferred tax *(Note 32)*	**35,821**	1,644
	51,768	59,002

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No Hong Kong Profits Tax has been provided for the years ended 31 December 2013 and 2012 as the Group has no assessable profit for Hong Kong Profits Tax purposes for both years. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2013 and 2012.

(iii) Profits of the subsidiaries established in the PRC are subject to PRC EIT.

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Several subsidiaries established in the PRC were approved by the local tax bureau and the taxable income of these subsidiaries shall be the total revenue of such subsidiaries, deducted by any non-assessable revenue, exempted revenue, other deductions and amount of offsetting any accumulated losses, for the period from 1 January 2013 to 31 March 2014.

12. INCOME TAX (continued)

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represented: (continued)

(iv) According to the requirements of the Provisional Regulations of the PRC on LAT（中華人民共和國土地增值稅暫行條例）effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT（中華人民共和國土地增值稅暫行條例實施細則）effective from 27 January 1995 as well, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as calculated according to the Provisional Regulations of the PRC on LAT and its Detailed Implementation Rules.

(b) The tax charge for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit before tax	**206,533**	223,276
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**56,872**	57,356
Over provision in respect of prior year	**–**	(1,697)
Tax effect of expenses not deductible for tax purpose	**1,950**	3,827
Tax effect of incomes not taxable for tax purpose	**(4,428)**	(4,314)
Tax effect of LAT on investment property for deferred tax purpose	**30,226**	–
Tax effect of tax losses not recognised	**6,282**	2,186
Utilisation of tax losses previously not recognised	**(4)**	–
Income tax on concessionary rate	**(41,139)**	–
Tax effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**2,009**	1,644
Income tax expense for the year	**51,768**	59,002

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2012: 7) directors and the chief executive were as follows:

	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contribution to retirement benefits scheme RMB'000	Discretionary bonuses RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Year ended 31 December 2013						
Executive directors:						
Mr. Ting Pang Wan, Raymond	–	3,656	15	4,680	2,235	10,586
Mr. Phang Yew Kiat (Appointed on 23 December 2013)	–	17	–	–	–	17
Mr. Shi Zhi Jun	–	780	15	507	355	1,657
Mr. Ji Zu Guang	–	780	15	525	355	1,675
Ms. Shen Li	–	1,040	15	2,447	540	4,042
Mr. Sheng Jia (Appointed on 23 December 2013)	–	17	–	–	–	17
Independent non-executive directors:						
Mr. Neo Poh Kiat	180	–	–	–	31	211
Dr. Lau Reimer Mary Jean	180	–	–	–	31	211
Mr. Lee Sze Wai	180	–	–	–	31	211
Total	540	6,290	60	8,159	3,578	18,627
Year ended 31 December 2012						
Executive directors:						
Mr. Ting Pang Wan, Raymond	–	729	2	1,654	–	2,385
Mr. Shi Zhi Jun	–	971	11	342	442	1,766
Mr. Ji Zu Guang	–	1,004	78	356	442	1,880
Ms. Shen Li	–	1,493	78	937	442	2,950
Independent non-executive directors:						
Mr. Neo Poh Kiat	142	–	–	–	–	142
Dr. Lau Reimer Mary Jean	142	–	–	–	–	142
Mr. Lee Sze Wai	142	–	–	–	–	142
Total	426	4,197	169	3,289	1,326	9,407

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Ms. Shen Li is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

The discretionary bonuses are determined with reference to the operating results and individual performance.

The performance related incentive payment is determined by reference to the individual performance of the directors and the chief executive and approved by the Remuneration Committee.

During the years ended 31 December 2013 and 2012, no directors of the Company waived any emoluments.

No emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2013 and 2012.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group include three directors (2012: four), whose remuneration are set out in note 13. Details of emolument paid to the remaining two (2012: one) highest paid individual of the Group was as follows:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Salaries, allowance, and other benefits	**3,299**	681
Contribution to defined contribution retirement benefits scheme	**52**	46
Discretionary bonuses	**174**	447
Share-based payment expenses	**201**	442
	3,726	1,616

14. EMPLOYEES' EMOLUMENTS (continued)

Their emoluments were within the following bands:

	For the year ended 31 December	
	2013	2012
	No. of employees	No. of employees
HK$ nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$3,000,000	**1**	–
	2	1

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2013 and 2012.

The details of remuneration of member of senior management are disclosed in Corporate Governance Report of the annual report.

15. DIVIDENDS

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2012 Final – HK1.55 cents		
(2012: 2011 Final – HK2.06 cents) per share	**30,101**	29,601

Final dividend for 2013

The final dividend of HK1.21 cents (or equivalent to RMB0.96 cents) per ordinary share in respect of the year ended 31 December 2013 has been proposed by the directors.

The final dividend for 2013 is subject to approval by the Company's shareholders in the forthcoming annual general meeting.

15. DIVIDENDS (continued)

Final dividend for 2012

On 11 March 2013, the Board resolved to propose a final dividend of HK1.55 cents (or equivalent to RMB1.26 cents) per share for the year ended 31 December 2012. The final dividend amounting to HK$37,030,000 (or equivalent to RMB30,101,000) had been approved by the Company's shareholders in the annual general meeting on 7 May 2013.

16. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2013 is based on the profit attributable to owners of the Company of RMB141,247,000 (2012: RMB149,534,000) and the weighted average of 2,445,355,616 (2012: 2,122,525,957) ordinary shares in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2013 and 2012 is based on the profit attributable to owners of the Company of RMB141,247,000 (2012: RMB149,534,000) and the weighted average of 2,483,673,110 (2012: 2,185,837,648) ordinary shares in issue during the year, calculated as follows:

	As at 31 December	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,445,355,616**	2,122,525,957
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**38,317,494**	63,311,691
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,483,673,110**	2,185,837,648

17. PLANT AND EQUIPMENT

	Office equipments RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
At 1 January 2012	1,582	2,048	4,330	7,960
Exchange realignment	(1)	(1)	(24)	(26)
Additions	953	691	569	2,213
Written off	(227)	(87)	–	(314)
At 31 December 2012 and 1 January 2013	2,307	2,651	4,875	9,833
Exchange realignment	(13)	(13)	(136)	(162)
Acquisition of a subsidiary *(note 37)*	613	–	–	613
Additions	7,095	1,771	2,806	11,672
At 31 December 2013	10,002	4,409	7,545	21,956
ACCUMULATED DEPRECIATION				
At 1 January 2012	864	1,442	92	2,398
Exchange realignment	–	–	(1)	(1)
Charge for the year	338	667	1,153	2,158
Eliminated on written off	(175)	(80)	–	(255)
At 31 December 2012 and 1 January 2013	1,027	2,029	1,244	4,300
Exchange realignment	(4)	(7)	(51)	(62)
Charge for the year	583	813	1,308	2,704
At 31 December 2013	1,606	2,835	2,501	6,942
NET BOOK VALUE				
At 31 December 2013	8,396	1,574	5,044	15,014
At 31 December 2012	1,280	622	3,631	5,533

17. PLANT AND EQUIPMENT (continued)

Depreciation is recognised so as to write off the cost of plant and equipment less their residual value, if any, using the straight line method over their estimated useful lives as follows:

Office equipments	3 – 10 years
Leasehold improvements	over the lease term
Motor vehicles	4 years

18. INVESTMENT PROPERTY

	Total RMB'000
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Additions	437,323
Change in fair value recognised in profit or loss	75,677
At 31 December 2013	513,000

The above investment property is situated in the PRC under medium term leases.

During the year ended 31 December 2013, a borrower had defaulted in the repayment of the entrusted loan of approximately RMB150,000,000. After negotiation with the borrower, the Group acquired the collateral, a property located in the PRC at total consideration of approximately RMB437,323,000. The consideration paid consisted of cost of the property approximately RMB396,000,000 and agency fee and other related tax approximately RMB41,323,000. Details are set out in the Company's announcement dated 10 December 2013.

All of the Group's property interest held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

The fair value of investment property as at 31 December 2013 has been arrived at on the basis of valuation carried out on the respective date by Roma Appraisals Limited ("Roma Appraisals"), an independent qualified professional valuer not connected to the Group.

The fair value of investment property was determined based on the market approach and was determined based on direct comparison method assuming sales of property interests in its existing state and marking references to comparable market observable transactions of similar properties in the same location and conditions as available in the relevant market.

18. INVESTMENT PROPERTY (continued)

In estimating the fair value of the property, the highest and the best use of the property is its current use.

Detail of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 are as follow:

	Valuation technique	Key input	Significant unobservable inputs
All Investment property	Market approach	Direct comparison method based on market observable transactions to similar properties and adjust to reflect the conditions and locations of the subject property.	N/A

There has no transfers into or out of Level 2 during the year.

19. INTANGIBLE ASSETS

	Licences RMB'000
Cost	
At 1 January 2012, 31 December 2012 and 1 January 2013	–
Additions through acquisition of subsidiaries *(note 37)*	135,835
At 31 December 2013	135,835
Accumulated impairment loss	
At 1 January 2012, 31 December 2012 and 1 January 2013 and 31 December 2013	–
Carrying values	
At 31 December 2013	135,835
At 31 December 2012	–

19. INTANGIBLE ASSETS (continued)

The licence belonged to 合肥市包河區建信小額貸款股份有限公司(「合肥建信」) has no explicit legal life and licence belonged to UCF Huisheng Investment (HK) Co., Limited ("UCF") has legal life of 5 years but are renewable every 5 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the licences continuously and has the ability to do so, and the licences have no foreseeable limit to the period over which the licenced products are expected to generate net cash flows for the Group. As a result, the licences are considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The licences will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purposes of impairment testing, licences with indefinite useful lives have been allocated to individual CGU, being the subsidiaries, UCF and 合肥建信, acquired during the year. Management of the Group determines that there are no impairments of any of its CGUs containing licences with indefinite useful life. The recoverable amount of the UCF and 合肥建信 have been determined based on a value-in-use calculation valued by Roma Appraisals, an independent qualified professional valuer not connected to the Group. The valuation adopted cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period, with pre-tax discount rate of 42.6% and 63.9% per annum respectively. The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3.2%. The growth rate was based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. The key assumptions for the value-in-use calculation related to the estimation of cash flows included gross margin and discount rate. Gross margin of 合肥建信 represents budgeted gross margin, which is based on past performance and the management's expectation for the market development. The discount rate used is pre-tax rates that reflect current market assessments of the risks specific to the relevant intangible assets.

20. GOODWILL

	RMB'000
COST	
At 1 January 2012, 31 December 2012 and 1 January 2013	
Arising on acquisition of subsidiaries *(note 37)*	37,820
At 31 December 2013	37,820
CARRYING VALUES	
At 31 December 2013	37,820
At 31 December 2012	–

For the purposes of impairment testing, goodwill with indefinite useful lives has been allocated to individual cash generating units, being the subsidiaries, UCF and 合肥建信, acquired during the year.

The carrying amount of goodwill at the end of the reporting period is attributable to the respective CGU as follow:

	RMB'000
UCF	35,844
合肥建信	1,976
	37,820

20. GOODWILL (continued)

The Group conducted impairment review on goodwill attributable to the respective CGU at the end of the reporting period by reference to the estimated recoverable amounts. The recoverable amounts of the UCF and 合肥建信 have been determined based on a value-in-use calculation. The valuation adopted cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period, with discount rate of 33.8% and 17.9% per annum respectively. The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3.2%. The growth rate was based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. The key assumptions for the value-in-use calculation related to the estimation of cash flows included gross margin and discount rate. Gross margin of 合肥建信 represents budgeted gross margin, which is based on past performance and the management's expectation for the market development. In addition, the gross margin of UCF is based on the management's expectation for revenue growth and future market development. The discount rate used is pre-tax rates that reflect current market assessments of the risks specific to the relevant industry.

21. AVAILABLE-FOR-SALE INVESTMENTS/DERIVATIVES EMBEDDED IN CONVERTIBLE BOND

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Available-for-sale investments comprise:		
Unlisted investments		
Equity security *(Note (a))*	**1,125**	–
Debt component of convertible bond *(Note (b))*	**32,675**	34,054
Total	**33,800**	34,054
Analysed for reporting purposes as:		
Non-current assets	**1,125**	34,054
Current assets	**32,675**	–
	33,800	34,054
Derivatives embedded in convertible bond, at fair value *(Note (b))*	**(392)**	28

21. AVAILABLE-FOR-SALE INVESTMENTS/DERIVATIVES EMBEDDED IN CONVERTIBLE BOND (continued)

Notes:

(a) The unlisted equity security issued by private entity incorporated in BVI is measured at cost less impairment at the end of the reporting period because the directors of the Company are of the opinion that its fair value cannot be measured reliably.

(b) The above represents a 12% coupon convertible bond ("Convertible Bond") issued by China Fortune Financial Group Limited ("China Fortune") with principal amount of approximately HK$40,385,000 (equivalent to approximately RMB33,055,000) received as the consideration to dispose of 35% of the equity interest in Measure Up, a joint venture, and an interest-free on-demand loan of approximately HK$32,308,000 (equivalent to approximately RMB26,334,000) due from Measure Up to the Group issued during the year ended 31 December 2011. China Fortune is a public limited company with its shares listed on the Stock Exchange. The Convertible Bond bears 12% interest per annum with maturity on 28 December 2014. The Group can exercise the conversion option at anytime from the date of issue up to the maturity date. The conversion price is HK$0.20 per share (subject to adjustments). From the day immediately after the expiry of one year from the issue date, China Fortune may redeem all the outstanding Convertible Bond in whole at par. Unless previously redeemed or converted, China Fortune shall redeem the Convertible Bond at 100% of the principal amount at maturity date.

The Group has designated the debt component of the Convertible Bond as available-for-sale investments on initial recognition.

	Debt component RMB'000	**Derivatives components** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2012	31,683	2,805	34,488
Interest income credited to profit or loss	4,368	–	4,368
Change in fair value – in profit or loss	–	(2,763)	(2,763)
Change in fair value – in other comprehensive income	2,156	–	2,156
Interest receivable from China Fortune	(3,977)	–	(3,977)
Exchange realignment	(176)	(14)	(190)
As at 31 December 2012 and 1 January 2013	34,054	28	34,082
Interest income credited to profit or loss	4,327	–	4,327
Change in fair value – in profit or loss	–	(420)	(420)
Change in fair value – in other comprehensive expense	(754)	–	(754)
Interest received from China Fortune	(3,820)	–	(3,820)
Exchange realignment	(1,132)	–	(1,132)
As at 31 December 2013	**32,675**	**(392)**	**32,283**

21. AVAILABLE-FOR-SALE INVESTMENTS/DERIVATIVES EMBEDDED IN CONVERTIBLE BOND (continued)

The fair value of debt component was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the Convertible Bond issuer and remaining time to maturity. The effective interest rate of the debt element of the Convertible Bond is 9.09% as at 31 December 2013 and ranging from 9.89% to 9.92% as at 31 December 2012.

The Black-Scholes option pricing model is used for the valuation of derivative components of the Convertible Bond. The inputs into the model for the derivative components of the Convertible Bond as at 31 December 2013 and 31 December 2012 are as follows:

	As at 31 December	
	2013	2012
Conversion price	**HK$0.200**	HK$0.200
Stock price	**HK$0.086**	HK$0.101
Volatility	**65.85%**	62.83%
Dividend yield	**0.00%**	0.00%
Option life *(years)*	**0.992**	1.992
Risk free rate	**0.20%**	0.12%

The fair value of each of the debt and derivative components of the Convertible Bond on initial recognition and at the end of the reporting period are determined by the directors of the Company with reference to the valuation performed by Roma Appraisals, an independent valuer not connected with the Group.

22. INTERESTS IN ASSOCIATES

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Cost of investment, unlisted	**4,000**	4,000
Share of post-acquisition loss and other comprehensive expense	**(2,975)**	(1,015)
	1,025	2,985
Amounts due from associates	**525**	–

22. INTERESTS IN ASSOCIATES (continued)

The amounts due from associates were unsecured, interest-free and repayable on demand.

Details of each of the Group's material associates as at 31 December 2013 and 2012 are as follows:

Name of entity	Place of establishment and operation	Percentage of nominal value of registered capital held by the Group				Principal activity
		Directly		Indirectly		
		2013	2012	**2013**	2012	
上海深鵬投資管理有限公司 ("上海深鵬")	The PRC	**N/A**	N/A	**40%**	40%	Investment holding
深圳深鵬投資管理有限公司*	The PRC	**N/A**	N/A	**40%**	40%	Investment holding
海口申鵬投資顧問有限公司*	The PRC	**N/A**	N/A	**40%**	40%	Investment holding

* *Wholly-owned subsidiaries of 上海深鵬, and together with 上海深鵬, referred as 上海深鵬 Group.*

上海深鵬 Group is the only associates that is material to the Group. The summarised financial information below represents amounts extracted from the associate's management accounts prepared in accordance with HKFRSs.

上海深鵬 Group is accounted for using the equity method in these consolidated financial statements.

上海深鵬 Group:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Current assets	**8,301**	11,919
Non-current assets	**771**	961
Current liabilities and total liabilities	**(6,509)**	(5,417)

22. INTERESTS IN ASSOCIATES (continued)

上海深鵬 Group: (continued)

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	**–**	–
Loss for the year	**4,900**	2,538
Total other comprehensive income for the year	**–**	–
Total comprehensive expense for the year	**4,900**	2,538

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates recognised in the consolidated financial statements:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Net assets of the associates	**2,563**	7,463
Proportion of the Group's ownership interests in the associates	**40%**	40%
Carrying amount of the Group's interests in the associates	**1,025**	2,985

23. INTERESTS IN JOINT VENTURES

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Cost of unlisted investments in joint ventures	**860**	846
Share of post-acquisition profit and other comprehensive income	**1,957**	449
	2,817	1,295
Amounts due from joint ventures	**55,089**	67,437

The amounts due from joint ventures are unsecured, interest-free and repayable on demand.

23. INTERESTS IN JOINT VENTURES (continued)

Details of the joint ventures as at 31 December 2013 and 2012 are as follows:

Name of entity	Form of entity	Place of incorporations establishment and operation	Class of shares held	Percentage of nominal value of issued capital held by the Group 2013	2012	Principal activity
Measure Up	Limited liability company	The BVI	Ordinary shares	**35%**	35%	Investment holding
*Lucky Target Property Agency Limited	Limited liability company	Hong Kong	Ordinary shares	**35%**	35%	Investment holding
*融通融資租賃(上海)有限公司	Limited liability company	The PRC	Registered share capital	**35%**	35%	Provision of finance lease service
Absolute Wise Holdings Limited ("Absolute Wise")	Limited liability company	Hong Kong	Ordinary shares	**51%**	N/A	Investment holding

* *Wholly-owned subsidiaries of Measure Up, and together with Measure Up referred as Measure Up Group.*

The above unlisted investments in joint ventures represented the 35% equity interest in Measure Up and 51% equity interest in Absolute Wise. The Group holds 35% of the ordinary shares of Measure Up and controls 35% of the voting power in the general meeting. However, under a shareholders' agreement, the major financing and operational decisions of Measure Up should be unanimously approved by the Group and another venturer. Therefore, Measure Up and its subsidiaries (the "Measure Up Group") are regarded as joint ventures of the Group.

On 23 October 2013, following the deemed disposal of 49% equity interests in Absolute Wise as detailed in note 38, the casting vote of the chairman of the board of directors of Absolute Wise appointed by the Group was removed and the Group remains 50% voting rights in the board of directors of Absolute Wise which governs the relevant activities of Absolute Wise. However, since at least 51% of the voting rights are required to make decisions about the relevant activities, the directors of the Company considered the joint control arrangement has been established because decisions about the relevant activities cannot be made without both parties agreeing. Absolute Wise became a joint venture of the Group.

23. INTERESTS IN JOINT VENTURES (continued)

The summary financial information in respect of the Group's material joint ventures, Measure Up Group, which are accounted for using the equity method is set out below:

Measure Up Group:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Current assets	**175,965**	17,614
Non-current assets	**15,329**	184,467
Total assets	**191,294**	202,081
Current liabilities	**(181,560)**	(198,381)
Non-current liabilities	**(1,780)**	–
Total liabilities	**(183,340)**	(198,381)

The above amounts of assets and liabilities include the following:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Cash and cash equivalents	**11,973**	11,997
Current financial liabilities (excluding trade and other payables and provisions)	**(166,188)**	(173,293)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(1,780)**	–

23. INTERESTS IN JOINT VENTURES (continued)

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Total revenue	**8,755**	8,427
Total profit for the year	**4,254**	1,283
The Group's share of results	**1,489**	449

The above profit for the year includes the following (income)/expenses:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Depreciation	**1,777**	1,976
Interest income	**(79)**	(133)
Interest expenses	**657**	189
Income tax expenses (credit)	**(11)**	47

23. INTERESTS IN JOINT VENTURES (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Net assets of the joint ventures	**7,954**	3,700
Proportion of the Group's interests in the joint ventures	**35%**	35%
Carrying amount of the Group's interests in the joint ventures	**2,784**	1,295

The financial information and carrying amount, in aggregate, of the Group's interests that are not individually material and are accounted for using the equity method are set out below:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
The Group's share of profit	**19**	–
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**19**	–

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Carrying amount of the Group's interests in immaterial joint ventures	**33**	–

24. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Loan receivables		
Secured loans		
Pawn loans to customers	**6,100**	81,999
Real estate-backed loans to customers	**99,500**	181,000
Entrusted loans to customers	**383,218**	634,750
Other loans to customers	**204,774**	81,390
Micro loans to customers	**5,816**	–
	699,408	979,139
Unsecured micro loans to customers	**210,900**	858
Unsecured other loans to customers	**90,648**	–
	1,000,956	979,997
Prepayments and other receivables		
Prepayments and other receivables	**44,738**	17,153
	1,045,694	997,150
Loan receivables analysed for reporting purposes as:		
Non-current assets	**157,141**	–
Current assets	**843,815**	979,997
	1,000,956	979,997

24. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

The pawn loans to customers arising under the Group's pawn loans business had an average loan period of 90 days (2012: 90 days). The real estate-backed loans had an average loan period of 90 days to 1 year (2012: 90 days to 1 year). The entrusted loans to customers arising from the Group's entrusted loan business had an average loan period of 90 days to 1 year (2012: 90 days to 1 year). The other loans to customers arising from the Group's other loans business had an average loan period of 1 year (2012: 1 year). The micro loans to customers arising from the Group's microfinance business had an average loan period of 1 year (2012: 2 months to 3 months). The unsecured other loans to customers had an average loan period of 1 year to 2 years. The loans provided to customers bore fixed interest rate ranging from 0.3% to 2.5% per month (2012: 0.3% to 2.2% per month) and were repayable according to the loan agreements. Included in the gross balances are loans of approximately RMB352,634,000 (2012: RMB649,498,000) secured by real estates in the PRC, and RMB346,774,000 (2012: RMB329,641,000) secured by other assets including equities in private entities.

Included in the loan receivables were balances of approximately RMB383,218,000 (2012: RMB634,750,000) which represented entrusted loans to customers through licensed bank in the PRC.

Micro loans included loan receivables under repurchases agreements of approximately RMB30,000,000 as at 31 December 2013 *(Note 31)*.

As at 31 December 2013, the Group held collaterals with value of approximately RMB3,738,396,000 (2012: RMB4,443,000,000) in total over the financing advances to customers.

(a) Ageing analysis

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	**525,610**	634,541
91 to 180 days	**255,777**	187,056
181 to 365 days	**159,871**	108,400
Over 365 days	**59,698**	50,000
	1,000,956	979,997

24. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

(a) Ageing analysis (continued)

The above ageing analysis is presented based on the date of loans granted to customers.

The Group's financing advances to customers included in the loan receivables are due as of the due date specified in respective loan agreements. Further details on the Group's credit policy are set out in note 6.

(b) Loan receivables that are not impaired

Included in the Group's loan receivable balances were debtors with aggregate carrying amount of approximately RMB141,312,000 (2012: RMB100,100,000) from certain entrusted loans, pawn loans and micro loans customers which were past due as at the reporting date for which the Group has not provided for impairment loss. For the amount of RMB140,883,000, the Group has not provided for impairment loss as the Group holds collaterals amounting to approximately RMB269,607,000 (2012: RMB213,416,000) in respect of such loan receivables as at 31 December 2013.

The ageing of loan receivables which were past due but not impaired is as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	**429**	–
91 to 180 days	**72,000**	49,500
181 to 365 days	**68,883**	50,600
	141,312	100,100

The Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default, and secured by the collaterals which value were higher than the carrying value of the loan receivables.

During the year ended 31 December 2013, the Group had successfully auctioned the collateral of one entrusted loan defaulted in 2012 with carrying value of approximately RMB50,000,000.

24. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

(b) Loan receivables that are not impaired (continued)

For the above past due but not impaired loan receivables with amount of approximately RMB140,883,000, the Group had taken legal action to auction the properties under collateral. Subsequent to the reporting period, the collateral of one defaulted real estate-backed loan with carrying value of approximately RMB49,500,000 would be put up for auction.

25. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The amounts due from (to) related companies were unsecured, interest-free and repayable on demand.

26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash and pledged bank deposits carry interest at market rates ranging from 0.01% to 1.5% (2012: 0.01% to 3.5%) per annum.

Pledged bank deposits represents deposits pledged to banks to secure the long-term bank borrowings and are therefore classified as non-current assets.

The Group's bank balances and cash and pledged bank deposits denominated in currencies other than functional currency of the relevant group entities are set out as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
HK$	**66**	4,335
RMB	**130**	32,198
US$	**11,644**	203
	11,840	36,736

27. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Other payables and accrued expenses	**19,035**	16,675
Refundable deposit received from customers	**–**	40,000
Secured deposit received	**–**	26,350
Consideration payable for acquisition of remaining interests in a subsidiary	**4,000**	7,084
	23,035	90,109
Financing service income receipts in advance	**11,416**	25,959
	34,451	116,068

Financing service income receipts in advance represents the deferred income arose from the difference between loan receivables and the actual fund transferred to the customers at the inception of loan granted in accordance with the respective loan agreements and the deferred income will be recognised as interest income over the loan period.

28. DEPOSITS RECEIVED

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Xinrong Asset	**–**	15,878

The balance as at 31 December 2012 represents the deposits received from Xinrong Asset Management Limited 新融資產管理有限公司 ("Xinrong Asset"), the equity holder of Shanghai Yintong, that would entitle Xinrong Asset a priority right to purchase all or part of the creditor's right over the forfeited collateral.

If Xinrong Asset elects not to purchase or is deemed to have renounced its right to purchase the relevant creditor's rights, the Group otherwise has to refund the entire amount of deposits to Xinrong Asset together with interest calculated at a rate equal to 80% of the interest rate for RMB saving accounts prescribed by the People's Bank of China during the year.

28. DEPOSITS RECEIVED (continued)

The deposit received had been subsequently refunded to Xinrong Asset during the year ended 31 December 2013. After the expiration of the co-operation agreement, no deposits received from Xinrong Asset.

29. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

The amounts were unsecured, interest-free and repayable on demand.

30. BORROWINGS

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Secured bank loans	**210,468**	–
Unsecured bank loans	**39,025**	–
Unsecured other loans	**48,548**	–
Unsecured entrusted loans	**136,000**	48,834
	434,041	48,834
Carrying amount repayable*:		
Within one year	**214,884**	48,834
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**219,157**	–
	434,041	48,834
Less: amounts due within one year shown under current liabilities	**(434,041)**	(48,834)
Amounts show under non-current liabilities	**–**	–

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

30. BORROWINGS (continued)

As at 31 December 2013, bank loans of approximately RMB210,468,000 (2012: nil) were secured by the pledged bank deposits *(note 26)* and guarantee provided by the Bank of Ningbo.

As at 31 December 2013, bank loans of approximately RMB39,025,000 (2012: nil) were guaranteed by third parties which provide guarantee service. Included in the amount of approximately RMB19,531,000 was in counter-guaranteed arrangement with the Company and a non-controlling shareholder. For the amount of approximately RMB19,494,000 was counter-guaranteed by the Company.

As at 31 December 2013, unsecured other loan of approximately RMB39,860,000 (2012: nil) was guaranteed by Mr. Ting Pang Wan, Raymond, a director of the Company.

Bank and other loans of approximately RMB223,573,000 (2012: Nil) are at fixed interest rates during the year.

The effective interest rates of borrowings at the end of the reporting period as follows:

	As at 31 December	
	2013	2012
Bank and other loans	**15%**	–

31. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENT

	As at 31 December	
	2013 **RMB'000**	2012 RMB'000
Benefit rights of loans and advance to customers	**29,914**	–

The Group entered into a repurchase transaction to principally finance the micro loan financing business, through the over-the-counter trading platform offered by the Chongqing Financial Assets Exchange during the year, the Group sold a portion of the unsecured micro loans to investors under repurchase agreements and the Group agreed to repurchase the respective loan receivables sold at pre-determined prices within 6 months to 1 year. The above amounts were guaranteed by a third party which provides guarantee service, and at the same time, counter-guaranteed by the Company and a non-controlling shareholder.

Details of the carrying values of underlying assets of financial assets sold under repurchase agreement are set out in note 24.

32. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Withholding tax on undistributed profit of subsidiaries in the PRC RMB'000	Revaluation of investment property RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2012	2,804	–	–	2,804
Charged to profit or loss	1,644	–	–	1,644
At 31 December 2012	4,448	–	–	4,448
Charged to profit or loss	2,009	33,812	–	35,821
Fair value adjustment arising from acquisition of subsidiaries	–	–	33,959	33,959
At 31 December 2013	6,457	33,812	33,959	74,228

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

At 31 December 2013, the Group had unused tax losses of approximately RMB52,092,000 (2012: RMB14,109,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss (2012: nil) due to the unpredictability of future profit streams. The unrecognised tax losses of approximately RMB1,532,000 (2012: RMB1,532,000) and RMB1,209,000 (2012: RMB1,302,000) will expire in 2016 and 2017 respectively. The remaining tax loss may be carried forward indefinitely.

33. CORPORATE BONDS

As at 31 December 2013 and 31 December 2012, the balance represented corporate bonds with principal amounts of RMB250,000,000 which are due on 18 September 2014, carry interest at fixed rate of 11% per annum with interest payable semi-annually in arrears on 18 March and 18 September of each year. The corporate bonds are unsecured.

34. SHARE CAPITAL

	Number of shares	Share capital Presented as	
	'000	HK$'000	RMB'000
Authorised			
Ordinary shares of HK$0.1 each as at 1 January 2012, 31 December 2012 and 2013	20,000,000	2,000,000	
Issued and fully paid			
Ordinary shares of HK$0.1 each as at 1 January 2012	1,750,000	175,000	149,870
Exercise of share options *(Note (a))*	22,500	2,250	1,827
Issue of bonus shares *(Note (b))*	354,500	35,450	28,952
Ordinary shares of HK$0.1 each as at 31 December 2012	2,127,000	212,700	180,649
Exercise of share options *(Note (c))*	98,800	9,880	7,892
Issue of share upon placing *(Note (d))*	240,000	24,000	19,462
Issue of consideration share for acquisition of a subsidiary *(Note (e))*	477,800	47,780	37,770
Ordinary shares of HK$0.1 each as at 31 December 2013	2,943,600	294,360	245,773

34. SHARE CAPITAL (continued)

Notes:

(a) On 6 March 2012 and 10 April 2012, 17,500,000 and 5,000,000 share options had been exercised respectively by certain business associates of the Company at subscription price of HK$0.567 per share for a total consideration of approximately HK$12,758,000 (equivalent to approximately of RMB10,360,000), resulting in an issue of 22,500,000 new ordinary shares of HK$0.1 each. The new share rank pari passu with the existing shares in all respect.

(b) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting held on 27 April 2012, bonus shares on the basis of two bonus shares, credited as fully paid, for every ten existing issued ordinary shares of HK$0.1 were approved. On 30 May 2012, 354,500,000 ordinary shares were issued to the shareholders. The new share rank pari passu with the existing shares in all respect.

(c) During the year ended 31 December 2013, 76,800,000 and 22,000,000 share options had been exercised by certain directors, employee and business associates of the Company at subscription price of HK$0.2604 and HK$0.4725 per share respectively for a total consideration of approximately HK$30,394,000 (equivalent to approximately of RMB24,336,000), resulting in an issue of 98,800,000 new ordinary shares of HK$0.1 each. The new share rank pari passu with the existing shares in all respect.

(d) On 18 January 2013, arrangements were made for a private placement to independent private investors of 240,000,000 ordinary shares of HK$0.10 each in the Company held by Kaiser Capital, the substantial shareholder of the Company, at a price of HK$0.80 per share representing a discount of approximately 13.98% to the closing market price of the Company Shares on 17 January 2013.

Pursuant to a subscription agreement of the same date, Kaiser Capital arranged to subscribed for 240,000,000 new shares of HK$0.10 each in the Company at a price of HK$0.80 per share. The proceeds amounted to HK$192,000,000 (equivalent to approximately of RMB155,696,000) (before share issue expenses of HK$4,167,000 (equivalent to approximately of RMB3,379,000)) and resulted in the increase in share capital and share premium account of the Company by HK$24,000,000 and HK$163,833,000 (equivalent to approximately of RMB19,462,000 and RMB136,234,000) respectively. The net proceeds were used for the Group's working capital and general corporate purposes. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 27 April 2012 and rank pari passu with other shares in issue in all respects. The placing and the subscription were completed on 23 January 2013 and 28 January 2013 respectively.

(e) On 27 November 2013, 477,800,000 new ordinary shares of HK$0.10 each were issued at HK$310,570,000 (equivalent to approximately RMB245,505,000) as consideration of the acquisition of entire equity interests in UCF. The consideration shares were credited as fully paid upon completion of the acquisition on 27 November 2013 at the closing published price of the share of the Company of HK$0.65 per share on 27 November 2013, and resulted in the increase in share capital and share premium account of the Company by HK$47,780,000 and HK$262,790,000 (equivalent to approximately of RMB37,770,000 and RMB207,735,000) respectively. The new share rank pari passu with the existing shares in all respect.

35. COMMITMENT

Operating lease arrangement

The Group as lessor

No property rental income was earned during the year.

At 31 December 2013, the Company had contracted with tenant for the following future minimum lease payments:

	As at 31 December 2013 RMB'000
Within one year	**3,249**
In the second to fifth years inclusive	**5,086**
	8,335

The Group as lessee

The Group leases certain of its staff quarters and offices under operating lease arrangements. The leases typically run for an initial period of three months to three years. Lease payments are usually increased annually to reflect market rentals. No provision for contingent rent and terms of renewal was established in the leases.

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

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Within one year	**8,094**	5,108
In the second to fifth years inclusive	**2,958**	4,494
	11,052	9,602

35. COMMITMENT (continued)

Capital expenditure commitment

At the end of the reporting period, the Group had the following capital commitments:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Capital expenditure contracted for but not provided for in respect of:		
Acquisition of plant and equipment	**751**	453
Acquisition of club membership	**384**	–
	1,135	453

36. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,250 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,250 (the "Mandatory Contributions"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65, death or total incapacity.

Employees of the subsidiaries in the PRC are members of the state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the required contributions.

There were no forfeited contributions utilised to offset employers' contributions for the year. The employers' contributions which have been dealt with in the consolidated statements of profit or loss and comprehensive income were as follows:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Employers' contributions charged to the consolidated statements of profit or loss and other comprehensive income	**2,170**	1,016

At 31 December 2013 and 31 December 2012, there was no forfeited contribution available to reduce the contributions payable in the future years.

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2013

Acquisition of additional interests in Worthy Trade Limited ("Worthy Trade") and Sino Ever Holdings Limited ("Sino Ever")

During the year, the Group acquired the remaining equity interests of 20% in Worthy Trade at a consideration of approximately RMB81,010,000 and remaining equity interests of 30% in Sino Ever at a consideration of approximately RMB83,000. The non-controlling interests in Worthy Trade and Sino Ever recognised at the acquisition date was measured by reference to the proportionate share of the recognised amounts of net assets of Worthy Trade and Sino Ever respectively. Upon the completion of the acquisition, Worthy Trade and Sino Ever became the wholly-owned subsidiaries of the Group.

	Worthy Trade RMB'000	Sino Ever RMB'000	Total RMB'000
Consideration paid	81,010	83	81,093
Waiver of amount due to a non-controlling shareholder	(159)	–	(159)
Non-controlling interests	(4,785)	162	(4,623)
	76,066	245	76,311

The above changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

Acquisition of 合肥建信

On 13 November 2013, the Group acquired 100% of the paid up capital of 合肥建信 at a consideration of approximately RMB48,409,000 which was satisfied by cash. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB1,976,000. 合肥建信 is engaged in the provision of micro loan financing service in Hefei. 合肥建信 was acquired so as to continue the expansion of the Group's micro loan financing service.

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2013 (continued)

Acquisition of 合肥建信 (continued)

Consideration transferred

	RMB'000
Cash	**48,409**

No acquisition-related cost of the transaction is incurred during the year ended 31 December 2013.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Intangible assets	**3,821**
Cash and cash equivalents	**44,409**
Trade and other payables	**(842)**
Deferred tax liabilities	**(955)**
Net assets acquired	**46,433**

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2013 (continued)

Acquisition of 合肥建信 (continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	48,409
Less: net assets acquired	(46,433)
Goodwill arising on acquisition	1,976

Goodwill arose in the acquisition of 合肥建信 because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of future market development of micro loan financing business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2013 (continued)

Acquisition of 合肥建信 (continued)

Net cash outflow on acquisition of 合肥建信

	RMB'000
Cash consideration paid	**48,409**
Less: cash and cash equivalent balances acquired	**(44,409)**
	4,000

Included in the profit for the year is approximately RMB316,000 attributable to the additional business generated by 合肥建信. Revenue for the year includes approximately RMB250,000 generated from 合肥建信.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been RMB273,990,000, and net profit for the year would have been RMB156,478,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had 合肥建信 been acquired at the beginning of the current year, the directors have:

– calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

– determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2013 (continued)

Acquisition of UCF

On 27 November 2013, the Group acquired 100% of the issued share capital of UCF at a consideration of HK$310,570,000 (equivalent to approximately RMB245,505,000) which was satisfied by allotting and issuing 477,800,000 new ordinary shares of the Company of HK$0.10 each. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB35,844,000. UCF is an investment holding company and its subsidiaries (collectively referred as "UCF Group") are engaged in provision of online third-party payment services and prepaid card issuance business. UCF Group was acquired so as to diversify the Group's business and broaden its sources of income in the PRC.

Consideration transferred

	RMB'000
Fair value of shares issued	**245,505**
Less: contingent consideration receivable	**(8,920)**
Total	**236,585**

The fair value of the ordinary shares of the Company, which was determined using the closing published price on the date of the acquisition *(note 34(e))*, amounted to HK$310,570,000 (equivalent to approximately RMB245,505,000).

Pursuant to the sales and purchase agreement, in the event that the audited consolidated net profit after taxation ("PAT") of the UCF Group for the year ending 31 December 2014 is less than HK$35,000,000, the vendor shall compensate the Group in cash of an amount equivalent to the shortfall between the PAT and HK$35,000,000, times a multiple of 8.19.

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2013 (continued)

Acquisition of UCF (continued)

The Group has recognised the above contingent consideration receivable at the fair value of approximately RMB8,920,000 at acquisition date which was determined based on the valuation carried out by Roma Appraisals by using income approach and with reference to the expected post-acquisition performance of the acquired business. Judgement is applied to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future payable amount. Contingent consideration receivable shall be re-measured at fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 3 (Revised).

The valuation of contingent consideration receivable is based on the projected PAT forecasted by UCF's management. The key assumptions adopted in projecting the future PAT including 26% sales growth for the first year and a terminal growth beyond the first five years period using the estimated growth rates not exceeding the long-term average growth rates of 3.2% for similar business operates. Management determined these key assumptions based on their experience in the industry and expectations on market development. A discount rate of 33.8% that reflects specific risks related to UCF Group was adopted.

The fair value of the contingent consideration receivable of approximately RMB8,452,000 was recognised and classified as a non-current asset as related to profit guarantee for the year ending 31 December 2014, in the consolidated statement of financial position as at 31 December 2013.

Acquisition-related costs amounting to HK$311,000 (equivalent to approximately RMB246,000) have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expense line item in the consolidated statement of profit or loss and other comprehensive income.

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2013 (continued)

Acquisition of UCF (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Plant and equipment	613
Intangible assets	132,014
Loan receivables	90,438
Prepayments and other receivables	9,464
Cash and cash equivalents	2,600
Accruals and other payables	(1,384)
Deferred tax liabilities	(33,004)
Net assets acquired	200,741

The fair values of loan receivables at the acquisition date approximate their gross amounts which amounted to RMB90,438,000. None of these receivables are impaired and it is expected that the full contractual amounts could be collected.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	236,585
Less: net assets acquired	(200,741)
Goodwill arising on acquisition	35,844

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2013 (continued)

Acquisition of UCF (continued)

Goodwill arising on acquisition: (continued)

Goodwill arose in the acquisition of UCF because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of future market development of online payment services. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash inflow on acquisition of UCF

	RMB'000
Cash consideration paid	–
Less: cash and cash equivalent balances acquired	2,600
	2,600

Included in the profit for the year is loss of approximately RMB835,000 attributable to the additional business generated by UCF. Revenue for the year includes approximately RMB197,000 generated from UCF.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been HK$269,728,000, and profit for the year would have been HK$154,753,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2013 (continued)

Acquisition of UCF (continued)

Net cash inflow on acquisition of UCF (continued)

In determining the "pro-forma" revenue and profit of the Group had UCF been acquired at the beginning of the current year, the directors have:

– calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

– determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

38. DEEMED DISPOSAL OF SUBSIDIARIES

On 23 October 2013, Vast Well International Limited ("Vast Well") and Absolute Wise, two wholly-owned subsidiaries of the Group had introduced strategic investors by enlarging their share capital. After the enlargement of the share capital of the subsidiaries, the Group's interests in Vast Well had been diluted from 100% to 18%, and Vast Well ceased to be the subsidiary of the Group and therefore was accounted for as an available-for-sale investment thereafter. The Group's interests in Absolute Wise had been diluted from 100% to 51% and the Group remains 50% voting rights in the board of directors of Absolute Wise which governs the relevant activities of Absolute Wise. However, since at least 51% of the voting rights are required to make decisions about the relevant activities, the directors of the Company considered the joint control arrangement has been established because decisions about the relevant activities cannot be made without both parties agreeing. Absolute Wise became a joint venture of the Group.

38. DEEMED DISPOSAL OF SUBSIDIARIES (continued)

The net assets of Vast Well and its subsidiaries and Absolute Wise at the date of deemed disposal were as follows:

	Vast Well RMB'000	Absolute Wise RMB'000	Total RMB'000
Analysis of assets and liabilities over which control was lost:			
Amounts due from group companies	179,885	26	179,911
Prepayments and other receivables	63	–	63
Bank balances and cash	17	–	17
Amounts due to group companies	(173,717)	–	(173,717)
Net assets disposed of:	6,248	26	6,274
Loss on deemed disposal of subsidiaries:			
Fair value of interest retained in interests in joint venture	–	14	14
Fair value of interest retained in available-for-sale investment	1,125	–	1,125
Exchange reserve released on disposal of subsidiaries	3,610	–	3,610
Net assets disposed of	(6,248)	(26)	(6,274)
Loss on deemed disposal	(1,513)	(12)	(1,525)
Net cash outflow arising on deemed disposal:			
Bank balances and cash disposed of	17	–	17

During the period from 1 January 2013 to 23 October 2013, the subsidiaries contributed approximately RMB3,000 to the Group's administrative expenses.

39. RELATED PARTY TRANSACTIONS

Significant related party transactions

(i) The Group paid rental expenses to 上海錦翰投資發展有限公司 (Shanghai Jinhan Investment Development Limited) ("Jinhan Investment") as follows:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Jinhan Investment	**630**	630

Mr. Shi Zhi Jun, a director of the Company has beneficial interest in Jinhan Investment.

(ii) The Group paid interest expenses to Xinrong Asset as follows:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest expenses on deposits received	**4**	148

(iii) The Group purchased motor vehicles at a total consideration of RMB2,490,000 from a joint venture of the Group.

(iv) The total rental expenses of RMB286,000 was paid to a joint venture at a monthly rate of RMB26,000 during the year ended 31 December 2013.

(v) As detailed in note 30 above, the other loan of approximately RMB39,860,000 was guaranteed by Mr. Ting Pang Wan, Raymond, a director of the Company, as at 31 December 2013.

39. RELATED PARTY TRANSACTIONS (continued)

Significant related party transactions (continued)

(vi) Non-recurring transactions:

During the year ended 31 December 2012, the Group entered into certain sale and purchase agreements with Xinrong Asset, to dispose of creditor's right over forfeited collaterals in respect of financing advances provided to 5 entrusted loan customers being secured by real estate at aggregate consideration of approximately RMB114,243,000 which had carrying value of approximately RMB114,243,000 as of the date of disposal with no gain or loss arose.

Key management personnel remuneration

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Short-term benefit	**18,462**	9,040
Post-employment benefits	**112**	215
Share-based payment expenses	**3,779**	1,768
	22,353	11,023

40. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2013, 233,999,900 new ordinary shares of HK$1 each were issued at par value to the existing shareholders of China Runking Financing Group Holdings Limited ("China Runking"), a non-wholly owned subsidiary of the Company, on proportion to the respective shareholder's shareholding. The consideration was satisfied by the capitalisation of the amounts due to respective shareholders, and approximately HK$93,599,960 (equivalent to approximately RMB75,236,000) represented capital contribution from the non-controlling shareholders.

41. SHARE OPTION SCHEME

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company on 4 November 2010, the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") whereby three executive directors of the Group were granted the rights to subscribe for shares of the Company.

The total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Scheme is 64,000,000 shares which were granted on 4 November 2010 with subscription price of HK$0.3125 per share.

The options granted under the Pre-IPO Scheme have vesting period ranging from six to eighteen months commencing from 4 November 2010, being the grant date of the options and the options are exercisable for a period of 5 years. The Company has no legal or contractual obligation to repurchase or settle the options in cash.

(b) Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders on 4 November 2010. The Share Option Scheme will remain in force for a period of 10 years, commencing on 19 November 2010.

The maximum number of shares that may be allotted and issued upon exercise of all options which then has been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. Unless approved by the shareholders, no option shall be granted to any person which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such person (including exercised and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of shares in issue as at the date of such new grant.

Share options granted to the Directors, chief executive or substantial shareholders or any of their respective associates is subject to the approval of the Independent Non-Executive Directors ("INEDs"). In addition, any grant of share options to a substantial shareholder or an INED or any of their respective associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

41. SHARE OPTION SCHEME (continued)

(b) Share Option Scheme (continued)

The exercise price of the share options is determined by the Board, but shall not be less than whichever is the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of offer, and (iii) the nominal value of the Company's share.

The offer of a grant of share options under the Share Option Scheme may be accepted within a period as specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The Board may at its discretion determine the minimum period for which the option has to be held or other restrictions before the option can be exercised.

An option under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the board of directors of the Company, which must not be more than 10 years from the date of the grant.

Details of specific categories of options granted under the Pre-IPO Share Option Scheme are as follows

Date of grant	Vesting period	Exercise period	Exercise price		Fair value at grant date
			Before adjustment	After adjustment *(Note)*	
4 November 2010	4 November 2010 to 3 May 2011	4 May 2011 to 18 November 2015	HK$0.3125	HK$0.2604	HK$9,752,000
	4 November 2010 to 3 November 2011	4 November 2011 to 18 November 2015	HK$0.3125	HK$0.2604	HK$9,829,000
	4 November 2010 to 3 May 2012	4 May 2012 to 18 November 2015	HK$0.3125	HK$0.2604	HK$8,475,000

41. SHARE OPTION SCHEME (continued)

(b) Share Option Scheme (continued)

Details of specific categories of options granted under the Share Option Scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price Before adjustment	Exercise price After adjustment *(Note)*	Fair value at grant date
4 April 2011	4 April 2011 to 3 January 2012	4 January 2012 to 3 April 2016	HK$1.206	HK$1.005	HK$1,000,000
	4 April 2011 to 3 January 2012	4 January 2012 to 3 April 2016	HK$1.206	HK$1.005	HK$1,309,000
27 September 2011	27 September 2011 to 26 March 2012	27 March 2012 to 26 September 2016	HK$0.567	HK$0.4725	HK$1,000,000
	N/A	27 September 2011 to 26 September 2016	HK$0.567	HK$0.4725	HK$500,000
12 July 2013	12 July 2013 to 11 April 2014	12 April 2014 to 11 July 2018	N/A	HK$0.74	HK$10,808,000

41. SHARE OPTION SCHEME (continued)

(b) Share Option Scheme (continued)

The following table discloses movements of the Company's share options held by employees (including Directors) and business associates during the year:

For the year ended 31 December 2013

Date of Grant	Outstanding as at 1 January 2013	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31 December 2013
Directors and employees						
4 November 2010	76,800,000	–	–	–	(76,800,000)	–
4 April 2011	4,284,000	–	–	–	–	4,284,000
12 July 2013	–	37,300,000	(1,880,000)	–	–	35,420,000
Business associates						
4 April 2011	39,840,000	–	–	–	–	39,840,000
27 September 2011	36,000,000	–	–	–	(22,000,000)	14,000,000
	156,924,000	37,300,000	(1,880,000)	–	(98,800,000)	93,544,000
Exercisable at the end of year						58,124,000
Weighted average exercise price	HK$0.5184	HK$0.74	HK$0.74	–	HK$0.3076	HK$0.8250

41. SHARE OPTION SCHEME (continued)

(b) Share Option Scheme (continued)

For the year ended 31 December 2012

Date of Grant	Outstanding as at 1 January 2012	Adjustment made during the year *(Note)*	Lapsed during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31 December 2012
Directors and employees						
4 November 2010	64,000,000	12,800,000	–	–	–	76,800,000
4 April 2011	4,070,000	714,000	(500,000)	–	–	4,284,000
Business associates						
4 April 2011	33,200,000	6,640,000	–	–	–	39,840,000
27 September 2011	52,500,000	6,000,000	–	–	(22,500,000)	36,000,000
	153,770,000	26,154,000	(500,000)	–	(22,500,000)	156,924,000
Exercisable at the end of year						156,924,000
Weighted exercise average price	HK$0.616	HK$0.5184	HK$1.005	–	HK$0.4725	HK$0.5184

41. SHARE OPTION SCHEME (continued)

(b) Share Option Scheme (continued)

37,300,000 share options were granted during the year ended 31 December 2013 (2012: nil).

The fair values of share options granted to directors and employees were calculated using the Binominal model for 2010 and Black-Scholes option pricing model for 2012 and 2013. The inputs into the model were as follows:

	4 November 2010	4 April 2011	12 July 2013
Inputs into the model			
Exercise price	HK$0.3125	HK$1.206	HK$0.74
Expected volatility	49.36%	44.61%	67.71%
Expected life	5 years	2.875 years	2.875 years
Expected dividend yield	2.32%	1.56%	2.095%
Risk-free rate	1.02%	1.12%	0.507%

Expected volatility of the options granted under the Pre-IPO Share Option Scheme and Share Option Scheme was determined by using the historical volatility of the share price of comparable companies and the Company respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The fair values of share options granted to business associates were measured at the fair value of the services received.

The Group recognised the total expenses of approximately RMB5,464,000 for the year ended 31 December 2013 (2012: RMB2,888,000) in relation to share options granted by the Company.

Note:

The exercise price of the share options is subject to adjustment in case of rights or bonus issue or other similar changes in the Company's share capital. Following the bonus issue which completed on 30 May 2012, as detailed in note 34(b), the exercise price and the number of the share options outstanding were adjusted accordingly.

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	As at 31 December 2013 RMB'000	2012 RMB'000
Non-current asset			
Investments in subsidiaries	a	**–**	–
Current assets			
Prepayments and other receivables		**216**	8,601
Amounts due from subsidiaries		**1,084,370**	638,601
Amount due from joint ventures		**20**	6
Bank balances and cash		**11,588**	34,489
		1,096,194	681,697
Current liabilities			
Accruals		**5,107**	13,247
Amount due to subsidiaries		**56,115**	32
Amount due to a joint venture		**8,559**	–
Borrowings		**39,860**	48,834
Corporate bonds		**255,611**	–
Income tax payable		**–**	781
		365,252	62,894
Net current assets		**730,942**	618,803
Total assets less current liabilities		**730,942**	618,803
Non-current liability			
Corporate bonds		**–**	252,776
Net assets		**730,942**	366,027
Capital and reserves			
Share Capital		**245,773**	180,649
Reserves	b	**485,169**	185,378
Total equity		**730,942**	366,027

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries

	As at 31 December	
	2013	2012
Unlisted investments, at cost	**RMB55**	RMB55

Details of the principal subsidiaries held by the Company as at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company Directly		Indirectly		Principal activities
				2013	2012	**2013**	2012	
Ever Step	BVI 7 December 2009	Ordinary shares	US$1/ US$50,000	**100%**	100%	**N/A**	N/A	Investment holding
Media Eagle Investment Limited ("Media Eagle")	Hong Kong 26 September 2012	Ordinary shares	HK$100/ HK$100	**60%**	60%	**N/A**	N/A	Investment holding
High Elite Holdings Limited ("High Elite")	Hong Kong 23 February 2011	Ordinary shares	HK$3,000,000/ HK$3,000,000	**N/A**	N/A	**100%**	100%	Financial consultancy services
Vigo Hong Kong Investment Limited	Hong Kong 2 September 2008	Ordinary shares	HK$1/ HK$10,000	**N/A**	N/A	**100%**	100%	Money lending business
Jovial Lead Limited ("Jovial Lead")	BVI 10 June 2011	Ordinary shares	US$1/ US$50,000	**N/A**	N/A	**100%**	100%	Investment holding
China Runking (formerly known as Media Eagle Limited)	Hong Kong 3 June 2011	Ordinary shares	HK$234,000,000/ HK$234,000,000	**N/A**	N/A	**60%**	60%	Investment holding
峻岭物業顧問(上海)有限公司##	The PRC 5 May 1998	Registered capital	US$1,000,000/ US$1,000,000	**N/A**	N/A	**100%**	100%	Financial consultancy services and entrusted loans business
上海銀通典當有限公司#####	The PRC 11 June 2003	Registered capital	RMB40,000,000/ RMB40,000,000	**N/A**	N/A	**100%**	100%	Pawn loans business
康潤企業管理諮詢(重慶)有限公司("重慶康潤")##	The PRC 6 December 2011	Registered capital	US$500,000/ US$500,000	**N/A**	N/A	**60%***	100%	Financial consultancy services

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Details of the principal subsidiaries held by the Company as at 31 December 2013 and 2012 are as follows: (continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2013	2012	**2013**	2012	
重慶市兩江新區潤通小額貸款有限公司 ("重慶潤通")##	The PRC 18 October 2011	Registered capital	US$30,000,000/ US$30,000,000	**N/A**	N/A	**60%**	60%	Secured financing services and microfinance services
深岩投資諮詢(上海)有限公司##	The PRC 15 September 2011	Registered capital	RMB2,300,000/ RMB2,300,000	**N/A**	N/A	**100%**	100%	Financial consultancy services
嘉頤投資諮詢(上海)有限公司 ("上海嘉頤")##	The PRC 19 July 2011	Registered capital	RMB2,300,000/ RMB2,300,000	**N/A**	N/A	**70%**	70%	Financial consultancy services
上海深隆商務諮詢有限公司#	The PRC 15 November 2012	Registered capital	RMB500,000/ RMB500,000	**N/A**	N/A	**100%**	100%	Financial consultancy services
深璟商務諮詢(上海)有限公司#	The PRC 10 November 2011	Registered capital	RMB500,000/ RMB500,000	**N/A**	N/A	**100%**	100%	Financial consultancy services
上海峻屹商務諮詢有限公司#	The PRC 19 November 2012	Registered capital	RMB60,000,000/ RMB60,000,000	**N/A**	N/A	**100%**	100%	Entrusted loan financing services
上海嘉震商務諮詢有限公司 ("上海嘉震")#	The PRC 15 November 2012	Registered capital	RMB500,000/ RMB500,000	**N/A**	N/A	**70%**	70%	Financial consultancy services
UCF	Hong Kong 23 December 2011	Ordinary shares	HK$10,000/ HK$10,000	**N/A**	N/A	**100%****	N/A	Investment holding

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Details of the principal subsidiaries held by the Company as at 31 December 2013 and 2012 are as follows: (continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2013	2012	**2013**	2012	
合肥建信##	The PRC 20 October 2010	Registered capital	RMB40,000,000/ RMB40,000,000	**N/A**	N/A	**100%*****	N/A	Microfinance services
大連先鋒匯通投資諮詢有限公司##	The PRC 1 August 2012	Registered capital	RMB630,120/ RMB630,120	**N/A**	N/A	**100%****	N/A	Investment holding
Dalian UCF#****	The PRC 12 July 2007	Registered capital	RMB10,000,000/ RMB10,000,000	**N/A**	N/A	**100%******	N/A	Investment holding
上海華勵商務諮詢有限公司#	The PRC 19 March 2013	Registered capital	RMB100,000/ RMB100,000	**N/A**	N/A	**100%**	N/A	Financial consultancy services

Notes:

\# *These entities were established in the PRC as domestic companies.*

\## *These entities were established in the PRC as wholly foreign-owned enterprises.*

* *During the year ended 31 December 2013, the Group has undergone a reorganisation and equity interests of 重慶康潤 and other several subsidiaries were transferred from a wholly-owned subsidiary to China Runking at nil consideration and the interests in those subsidiaries were reduced from 100% to 60%. The reorganisation was accounted for as equity transaction and non-controlling interests were adjusted for approximately RMB5,199,000 and was recognised directly in equity.*

** *Acquired through acquisition of UCF during the year ended 31 December 2013.*

*** *Acquired through acquisition of 合肥建信 during the year ended 31 December 2013.*

**** *No equity interests was held by the Company. The Company has control over the subsidiaries through the Structure Contracts.*

In the opinion of the directors of the Company, the subsidiaries of the Company listed in the above table principally affected the results, assets and liabilities of the Group. To give details of other subsidiaries would result in particular of excessive length.

None of the subsidiaries had any debt securities issued subsisting at the end of both years or any time during both years, except for one of the subsidiaries had issued exchangeable bond and being exercised by the bond holder during the year ended 31 December 2012.

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Composition of the Group

Information about the composition of the Group other than the principal subsidiaries disclose above at the end of the reporting period is as follows:

Principal activities	Places of incorporation and operation	Number of wholly-owned subsidiaries As at 31 December	
		2013	2012
Investment holding	Hong Kong	**12**	8
	BVI	**11**	8
Financial consultancy services	The PRC	**7**	4
		30	20

Principal activities	Places of incorporation and operation	Number of non-wholly owned subsidiaries As at 31 December	
		2013	2012
Investment holding	Hong Kong	**12**	9
Financial consultancy services	The PRC	**5**	3
		17	12

Details of non-wholly owned subsidiaries that have material non-controlling interests to the Group are disclosed in below.

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Places of incorporation/ establishment/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
重慶潤通	The PRC	**40%**	40%	**5,929**	3,683	**87,125**	81,196
上海嘉頤	The PRC	**30%**	30%	**362**	5,139	**6,455**	8,470
上海嘉震	The PRC	**30%**	30%	**1,138**	643	**1,931**	793
重慶康潤	The PRC	**40%**	n/a	**1,528**	–	**7,832**	–
China Runking	Hong Kong	**40%**	40%	**(2,026)**	(50)	**(3,052)**	(76,262)
上海華勵*	The PRC	**–**	–	**3,185**	–	**–**	–
Individual immaterial subsidiaries with non-controlling interests				**3,402**	5,325	**(1)**	(1,028)
Total				**13,518**	14,740	**100,290**	13,169

* *During the year, the subsidiary was indirectly owned by the Group at 80%. It becomes wholly-owned subsidiary after the acquisition of the remaining 20% share of Worthy Trade.*

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

重慶潤通

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Current assets	**286,887**	204,721
Non-current assets	**6,839**	788
Current liabilities and total liabilities	**(75,914)**	(2,520)
Equity attributable to owners of the Company	**130,687**	121,793
Non-controlling interests	**87,125**	81,196

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

重慶潤通 (continued)

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	**36,571**	23,929
Expenses	**(21,748)**	(9,943)
Profit and total comprehensive income for the year	**14,823**	13,986
Profit and total comprehensive income attributable to owners of the Company	**8,894**	10,303
Profit and total comprehensive income attributable to the non-controlling interests	**5,929**	3,683
	14,823	13,986
Net cash outflow from operating activities	**(80,380)**	(142,501)
Net cash outflow from investing activities	**(1,811)**	(856)
Net cash inflow (outflow) from financing activities	**68,938**	(198)
Net cash outflow	**(13,253)**	(143,555)

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

上海嘉頤

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Current assets	**22,143**	31,051
Non-current assets	**531**	604
Current liabilities and total liabilities	**(1,159)**	(3,421)
Equity attributable to owners of the Company	**15,060**	19,764
Non-controlling interests	**6,455**	8,470

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

上海嘉頤 (continued)

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	**8,379**	22,490
Expenses	**(7,174)**	(5,360)
Profit and total comprehensive income for the year	**1,205**	17,130
Profit and total comprehensive income attributable to owners of the Company	**843**	11,991
Profit and total comprehensive income attributable to the non-controlling interests	**362**	5,139
	1,205	17,130
Dividends paid to non-controlling interests	**(2,377)**	–
Net cash (outflow) inflow from operating activities	**(990)**	17,504
Net cash inflow (outflow) from investing activities	**6**	(482)
Net cash inflow (outflow) from financing activities	**1,605**	(17,614)
Net cash inflow (outflow)	**621**	(592)

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

上海嘉震

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Current assets and total assets	**6,788**	3,515
Current liabilities and total liabilities	**(353)**	(872)
Equity attributable to owners of the Company	**4,504**	1,850
Non-controlling interests	**1,931**	793

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

上海嘉震 (continued)

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	**4,425**	2,866
Expenses	**(633)**	(723)
Profit and total comprehensive income for the year	**3,792**	2,143
Profit and total comprehensive income attributable to owners of the Company	**2,654**	1,500
Profit and total comprehensive income attributable to the non-controlling interests	**1,138**	643
	3,792	2,143
Net cash inflow from operating activities	**3,271**	3,014
Net cash inflow from investing activities	**2**	1
Net cash (outflow) inflow from financing activities	**(6,543)**	500
Net cash (outflow) inflow	**(3,270)**	3,515

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

重慶康潤

	As at 31 December	
	2013	2012*
	RMB'000	RMB'000
Current assets	**21,300**	N/A
Non-current assets	**990**	N/A
Current liabilities and total liabilities	**(2,710)**	N/A
Equity attributable to owners of the Company	**11,748**	N/A
Non-controlling interests	**7,832**	N/A

* *The subsidiary was wholly-owned by the Group in 2012, no profit is attributable to non-controlling interests.*

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

重慶康潤 (continued)

	For the year ended 31 December	
	2013	2012*
	RMB'000	RMB'000
Revenue	**16,161**	N/A
Expenses	**(7,954)**	N/A
Profit and total comprehensive income for the year	**8,207**	N/A
Profit and total comprehensive income attributable to owners of the Company	**6,679**	N/A
Profit and total comprehensive income attributable to the non-controlling interests	**1,528**	N/A
	8,207	N/A
Net cash inflow from operating activities	**9,628**	N/A
Net cash inflow from investing activities	**5,010**	N/A
Net cash outflow from financing activities	**(11,100)**	N/A
Net cash inflow	**3,538**	N/A

* *The subsidiary was wholly-owned by the Group in 2012, no profit is attributable to non-controlling interests.*

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

China Runking

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Current assets and total assets	**6,279**	–
Current liabilities and total liabilities	**(13,910)**	(190,655)
Equity attributable to owners of the Company	**(4,579)**	(114,393)
Non-controlling interests	**(3,052)**	(76,262)

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

China Runking (continued)

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	**–**	–
Expenses	**(5,064)**	(124)
Loss and total comprehensive expense for the year	**(5,064)**	(124)
Loss and total comprehensive expense attributable to owners of the Company	**(3,038)**	(74)
Loss and total comprehensive expense attributable to the non-controlling interests	**(2,026)**	(50)
	(5,064)	(124)
Net cash outflow from operating activities	**(7,425)**	(123)
Net cash flow from investing activities	**–**	–
Net cash inflow from financing activities	**7,428**	123
Net cash inflow	**3**	–

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

上海華勵

	As at 31 December	
	2013	2012*
	RMB'000	RMB'000
Current assets and total assets	**16,042**	N/A
Current liabilities and total liabilities	**(12)**	N/A
Equity attributable to owners of the Company	**16,030**	N/A
Non-controlling interests	**–**	N/A

* *The subsidiary was newly incorporated in 2013, no accumulated non-controlling interests shown in the statement of financial position.*

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

上海華勵 (continued)

	For the year ended 31 December	
	2013	2012*
	RMB'000	RMB'000
Revenue	**16,370**	N/A
Expenses	**(444)**	N/A
Profit and total comprehensive income for the year	**15,926**	N/A
Profit and total comprehensive income attributable to owners of the Company	**12,741**	N/A
Profit and total comprehensive income attributable to the non-controlling interests	**3,185**	N/A
	15,926	N/A
Net cash inflow from operating activities	**15,892**	N/A
Net cash flow from investing activities	**–**	N/A
Net cash outflow from financing activities	**(15,200)**	N/A
Net cash inflow	**692**	N/A

* *The subsidiary was newly incorporated in 2013, no accumulated non-controlling interests shown in the statement of financial position.*

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(b) Reserves of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Total RMB'000
At 1 January 2012	256,200	(36,324)	–	23,733	243,609
Loss for the year	–	(9,385)	–	–	(9,385)
Other comprehensive expenses	–	–	(1,714)	–	(1,714)
Total comprehensive expenses for the year	–	(9,385)	(1,714)	–	(11,099)
Issue of shares upon exercise of share options *(Note 34(a))*	9,055	–	–	(522)	8,533
Issue of bonus share *(Note 34(b))*	(28,952)	–	–	–	(28,952)
Recognition of equity-settled share-based payments	–	–	–	2,888	2,888
Dividends recognised as distribution	(29,601)	–	–	–	(29,601)
Lapsed of share options	–	131	–	(131)	–
At 31 December 2012	206,702	(45,578)	(1,714)	25,968	185,378

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(b) Reserves of the Company (continued)

	Share premium RMB'000	Accumulated losses RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Total RMB'000
At 1 January 2013	206,702	(45,578)	(1,714)	25,968	185,378
Loss for the year	–	(23,361)	–	–	(23,361)
Other comprehensive expenses	–	–	(9,245)	–	(9,245)
Total comprehensive expenses for the year	–	(23,361)	(9,245)	–	(32,606)
Issue of shares upon exercise of share options *(Note 34(c))*	39,178	–	–	(22,734)	16,444
Issue of shares under placing *(Note 34(d))*	136,234	–	–	–	136,234
Issue of shares for acquisition of a subsidiary *(Note 34(e))*	207,735	–	–	–	207,735
Share issue expenses	(3,379)	–	–	–	(3,379)
Recognition of equity-settled share-based payments	–	–	–	5,464	5,464
Dividends recognised as distribution	(30,101)	–	–	–	(30,101)
At 31 December 2013	556,369	(68,939)	(10,959)	8,698	485,169

43. EVENT AFTER THE REPORTING PERIOD

(i) On 3 January 2014, the Company announced Jovial Lead, a wholly-owned subsidiary of the Company, received a request from Gold Kingdom Holdings Limited ("Gold Kingdom"), a non-controlling shareholders of its 60% owned subsidiary, China Runking, to grant the waivers of the Right of First Refusal and Right of Co-Sale for the transfer of 25% equity interests in China Runking from Gold Kingdom to Richfield Asia Investment Limited ("Richfield"), a company legally and beneficially owned by a director of the Company, Mr. Ting Pang Wan, Raymond. The transfer was subsequently turned down by Gold Kingdom. Details of which are set out in the Company's announcements dated 3 January 2014 and 29 January 2014 respectively.

(ii) On 21 January 2014, the Company entered into the first subscription agreement with a company which was wholly and beneficially owned by a substantial shareholder of the Company, for the subscription of 100,000,000 subscription shares at the subscription price of HK$0.80 per subscription share. On the same day, the Company entered into the second subscription agreement with an independent third party for the subscription of 100,000,000 subscription shares at the subscription price of HK$0.80 per subscription share. The first subscription agreement was subsequently terminated on 14 February 2014.

On 21 January 2014, the Company entered into another subscription agreement with an independent third party, for the subscription of 100,000,000 subscription shares each at the subscription price of HK$0.80 per subscription share.

The above subscription agreements were not completed up to the date of this report. Details of which are set out in the Company's announcements dated 21 January 2014 and 14 February 2014, and the Company's circular dated 26 February 2014.

(iii) Subsequent to the reporting period, the collateral of one defaulted real estate-backed loan with carrying value of approximately RMB49,500,000 would be put up for auction.

Financial Summary

A summary of the Group's results for the last five financial years and the assets and liabilities of the Group as at 31 December 2013, 2012, 2011, 2010 and 2009, as extracted from the published audited financial statements for the years ended 31 December 2013, 2012, 2011 and 2010, is set out below. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	2013 **RMB'000**	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
RESULTS					
Turnover	**269,728**	302,422	258,701	115,169	30,446
Net interest income	**108,454**	112,100	111,512	41,742	26,374
Financial consultancy service income	**123,452**	170,895	141,995	69,786	834
	231,906	282,995	253,507	111,528	27,208
Other income	**20,492**	17,537	6,241	2,563	1,829
Gain on disposal of subsidiaries	**–**	–	12,823	–	–
Loss on deemed disposal of subsidiaries	**(1,525)**	–	–	–	–
Administrative and other operating expenses	**(113,213)**	(68,548)	(54,606)	(31,178)	(8,605)
Change in fair value of investment property	**75,677**	–	–	–	–
Change in fair value of derivative and embedded derivative components of convertible bond and exchangeable bond	**(420)**	(2,788)	(364)	–	–
Change in fair value of contingent consideration receivable	**(468)**	–	–	–	–
Loss on early redemption of corporate bonds	**–**	(2,466)	–	–	–
Share-based payment expenses	**(5,464)**	(2,888)	(18,913)	(4,820)	–
Share of results of associates	**(1,960)**	(1,015)	–	–	–
Share of results of joint ventures	**1,508**	449	–	–	–
Profit before tax	**206,533**	223,276	198,688	78,093	20,432
Income tax	**(51,768)**	(59,002)	(53,417)	(25,799)	(4,880)
Profit for the year	**154,765**	164,274	145,271	52,294	15,552
Attributable to:					
Owners of the Company	**141,247**	149,534	142,833	52,294	15,552
ASSETS AND LIABILITIES					
Total assets	**2,311,551**	1,321,040	1,024,609	615,377	181,837
Total liabilities	**(1,017,126)**	(564,009)	(367,089)	(224,636)	(152,338)
Net assets	**1,294,425**	757,031	657,520	390,741	29,499

Summary of Investment Property

Particulars of investment property held by the Group as at 31 December 2013 is as follows:

Property	Use	Group Interest	Category of the lease
Nos. 518-686 Sichuan North Road, Hongkou District, Shanghai The PRC	Commercial	100%	Medium term lease