



佐力科創小額貸款股份有限公司

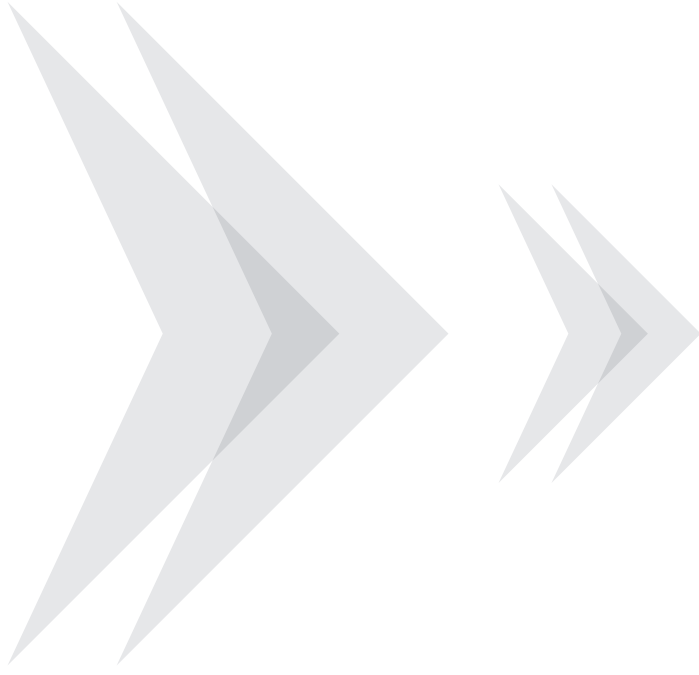
Zuoli Kechuang Micro-finance Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code: 6866

Annual Report 2014 >>>

A large, abstract graphic composed of several overlapping, right-pointing arrow shapes. The arrows are layered, with a light grey arrow in the background and a multi-colored arrow in the foreground. The multi-colored arrow features a rainbow gradient from blue at the top to green at the bottom. The overall effect is one of forward motion and growth.



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Definitions

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

“Acting in Concert Agreement”	an agreement entered into by Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy and dated 28 April 2014
“AFR (三農)”	agriculture, rural areas and farmers or, as the case may be, individuals or organizations engaged in agricultural businesses and/or rural development activities, and/or residing in rural areas
“Articles of Association”	the articles of association of the Company
“Bangni Fiber”	Zhejiang Bangni Refractory Fiber Co., Ltd. (浙江邦尼耐火纖維有限公司)
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“CAGR”	compound annual growth rate
“Chief Financial Officer”	the chief financial officer of the Company
“Company”, “we”, “us” or “our”	Zuoli Kechuang Micro-finance Company Limited (佐力科創小額貸款股份有限公司), a joint stock company incorporated in the PRC with limited liability on 18 August 2011 and converted from our Predecessor Company on 28 April 2014, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 6866)
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in case of the Company, means Zuoli Holdings, Puhua Energy, Mr. Yu Yin, Mr. Yu Youqiang, Deqing Yintian, Mr. Shen Haiying, Dingsheng Investment and Mr. Zhang Jianming
“CSRC”	the China Securities Regulatory Commission
“Deqing Yintian”	Deqing Yintian Equity Investment and Management Company Limited* (德清銀天股權投資管理有限公司)
“Dingsheng Investment”	Deqing Dingsheng Equity Investment and Management Company Limited* (德清鼎盛股權投資管理有限公司)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-established entities
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Listing Date”	13 January 2015, the day on which the H Shares became listed on the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Predecessor Company” or “our Predecessor Company”	Deqing Zuoli Kechuang Micro-finance Company Limited* (德清佐力科創小額貸款有限公司), a limited liability company established in the PRC on 18 August 2011 and the predecessor of the Company
“PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Promoter(s)”	the promoters that established the Company on 28 April 2014. At the time of our establishment, our Promoters comprised six corporate shareholders and 44 individual shareholders
“Puhua Energy”	Deqing Puhua Energy Company Limited* (德清普華能源有限公司)
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“SME(s)”	small and medium-sized enterprise(s), as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知)
“Supervisor(s)”	the supervisor(s) of the Company
“Zuoli Holdings”	Zuoli Holdings Group Company Limited* (佐力控股集團有限公司)

* for identification purposes only

Corporate Information

Directors

Executive Directors

Mr. Yu Yin *(Chairman)*
Mr. Zheng Xuegen
Mr. Hu Haifeng
Mr. Ding Maoguo

Non-executive Director

Mr. Pan Zhongmin (formerly known as Pan Zhongming)

Independent non-executive Directors

Mr. Ho Yuk Ming, Hugo
Mr. Jin Xuejun
Ms. Huang Lianxi

Supervisors

Ms. Shen Yamin *(Chairman)*
Mr. Dai Shengqing
Mr. Wang Peijun

Audit Committee

Mr. Ho Yuk Ming, Hugo *(Chairman)*
Mr. Jin Xuejun
Ms. Huang Lianxi

Remuneration and Appraisal Committee

Mr. Jin Xuejun *(Chairman)*
Mr. Yu Yin
Mr. Ho Yuk Ming, Hugo

Nomination Committee

Ms. Huang Lianxi *(Chairman)*
Mr. Jin Xuejun
Mr. Yu Yin

Loan Approval Committee

Mr. Hu Haifeng *(Chairman)*
Mr. Wang Hui
Mr. Ding Maoguo
Mr. Huang Chenjiang
Ms. Xia Jing

Company Secretary

Mr. Yip Kui Wan *(a solicitor as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong))*

Authorised Representatives

Mr. Yu Yin
Mr. Yip Kui Wan

Registered Office

No. 57-67, Dongsheng Road
Lan Se Gang Wan
Wukang Town
Deqing
Zhejiang
PRC

Headquarters and Principal Place of Business in the PRC

No. 57-67, Dongsheng Road
Lan Se Gang Wan
Wukang Town
Deqing
Zhejiang
PRC

Principal Place of Business in Hong Kong

19th Floor
Three Exchange Square
8 Connaught Place, Central
Hong Kong

Company's Website

www.zlkcx.com

Stock Code

6866

Auditor

KPMG
Certified Public Accountants

Legal Advisers to Our Company

ONC Lawyers *(as to Hong Kong laws)*
Dacheng Law Offices *(Dacheng Shanghai)(as to PRC laws)*

Compliance Adviser

China Galaxy International Securities (Hong Kong)
Co., Limited

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Banker

Bank of China Deqing Gui Hua Cheng Sub-branch
Nos. 245 to 253 South Quyuan Road
Wukang Town, Deqing County
Zhejiang Province
PRC

Financial Summary

The following is a summary of assets and liabilities of the Company as at 31 December 2011, 2012, 2013 and 2014 and of the results of the Company for the period from 18 August 2011 (date of establishment) to 31 December 2011, and for each of the years ended 31 December 2012, 2013 and 2014.

RESULTS	Period from 18 August 2011 (date of establishment) to 31 December 2011	Year ended 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Interest income	7,820	70,973	90,789	160,237
Profit before taxation	492	35,176	68,970	124,575
Income tax	(157)	(8,939)	(17,354)	(31,176)
Profit and total comprehensive income for the year	335	26,237	51,616	93,399
Profit attributable to the equity shareholders of the Company	335	26,237	51,616	93,399
ASSETS AND LIABILITIES				
Total assets	228,607	481,708	776,748	1,177,417
Total liabilities	28,272	132,244	187,268	206,538
Total equity	200,335	349,464	589,480	970,879

Note:

The summary of the results of the Company for the period from 18 August 2011 (date of establishment) to 31 December 2011, and for each of the years ended 31 December 2012 and 2013 and the summary of the assets, liabilities and equity of the Company as at 31 December 2011, 2012 and 2013 have been extracted from the Prospectus.

Chairman's Statement

On 13 January 2015, the Company was listed on the Hong Kong Stock Exchange. It was a significant milestone for the development of the Company.

Since its incorporation, the Company has been focusing on providing financing to AFR (三農) and SME customers, and through our hard work, the Company has managed to build up a significant market share in Deqing, the PRC. We remain committed to continue improving our management and strengthening our risk management control in order to fully tackle the next phase of growth of the Company after our successful listing.

On behalf of the Board, I hereby express our sincere gratitude to our Shareholders and relevant stakeholders for their continuous support of the Company's development, and I would also like to thank our entire staff for their persistent dedication in improving the Company's results.

The 2014 annual report is our first annual report since the Company's listing. On behalf of the Company, I am pleased to present to you the Company's results for 2014.

In 2014, we consistently rolled out innovative products and services to capture more customers. Specifically, we tailor-made various loan portfolios including "Fast Loans (快貸通)", "Technology Loans (科技通)" and "Loan on Your Palm" or "Zhang Shang Tong (掌上通)" to target customers including AFR (三農), Taobao E-merchants, university students, startup technology companies, etc.

In 2014, we continued to optimize our management and systems. We have improved our corporate governance structure, corporate structure and the functionalities of various departments. We have also pushed forward the establishment of an internal control management system so as to further normalize the Company's management. We have also continued to strengthen our risk management and control capability by enhancing our internal audit function.

In 2014, our total loan reached RMB1,155.225 million with interests income recorded at RMB160.237 million, resulting in a net profit of RMB93.399 million, representing an increase of 80.95% as compared to the same period in 2013, and our loan overdue rate was 0.05%.

Despite the potential in the micro financing market in China, there remains challenges in the industry and the Company will remain focused on providing quality services and loan products to our customers. We are well positioned to further develop and grow our core business.

With the establishment of Microfinance Union of China, the microfinance industry's mission to build a more transparent and normalized private financing sector is becoming increasingly prominent. In addition, the industry is receiving more and more recognition as to its role in providing a financing platform for local economic development.

In addition to being one of the "top 100 counties in terms of comprehensive strength" (全國綜合實力百強縣), a "national technological advanced county" (全國科技工作先進縣) and a "financial innovation demonstration county (浙江省金融創新示範縣)" in Zhejiang, the county of Deqing is also a pilot county in Zhejiang for urban-rural integration. These all provide favourable economic and social conditions for us to develop and in particular, as a result of the booming AFR (三農) industry and high-tech industry in the recent years. In addition, the number of SMEs continues to rise every year, which has created significant market potential for us.

Chairman's Statement

In 2015, we shall continue to exert innovative efforts into our loan business, expand our marketing efforts and improve risk management control, so as to make the Company bigger and stronger, as well as increasing our overall competitiveness.

Zuoli Kechuang Micro-finance Company Limited

Mr. Yu Yin

Chairman

30 April 2015

Management Discussion and Analysis

Industry Overview

We conduct our business in Deqing, a county in Huzhou, Zhejiang, the PRC. Deqing has experienced robust economic development and growth in recent years. The local fiscal revenue increased from RMB1.3 billion for the year ended 31 December 2008 to RMB3.1 billion for the year ended 31 December 2013, representing a CAGR of 18.1%. Deqing's per capita GDP exceeded RMB77,000 in 2013, and the county was placed among the nation's top 100 counties in terms of comprehensive strength in economic, social condition, environmental and government management aspects (綜合實力百強縣). A number of high-technology, bio-pharmaceutical and innovative enterprises have either selected Deqing as their headquarters or conducted business in Deqing, which has helped cultivate the local financial services sector. In addition, Deqing has been designated as a "technological outstanding county (科技強縣)" as well as a "financial innovation demonstration county (金融創新示範縣)" by the Zhejiang provincial government.

Competition within the microfinance industry in Zhejiang is increasingly intense. As of 31 December 2014, the number of microfinance companies in Zhejiang reached 344. The average registered capital per microfinance company increased from approximately RMB137 million in 2009 to approximately RMB207 million in 2014. The average loan balance per microfinance company increased from RMB137.1 million as of 31 December 2009 to RMB264.87 million as of 31 December 2014.

The microfinance industry in Deqing has also seen rapid growth in the past five years. As of 31 December 2014, there were five microfinance companies in Deqing. The loan balance of microfinance companies in Deqing increased significantly from approximately RMB316 million as of 31 December 2009 to approximately RMB2,694 million as of 31 December 2014. Annual aggregate loans also increased significantly from RMB1,621 million for the year ended 31 December 2010 to RMB6,314 million for the year ended 31 December 2014, almost quadrupling over the last four years. The average overdue ratio of all microfinance companies in Deqing was 0.4% and 0.54% as of 31 December 2013 and 31 December 2014, respectively.

Apart from competition among microfinance companies, commercial banks, insurance companies, finance corporations and intermediary loan companies also compete with microfinance companies by providing loans with unique features and advantages.

Management Discussion and Analysis

Business Overview

As of 31 December 2014, we were the largest licensed microfinance company in Zhejiang in terms of registered capital, according to the Financial Work Office of the People's Government of Zhejiang Province. We are dedicated to serving customers in Deqing, a county in Huzhou, Zhejiang with robust commercial and agricultural activities, by providing financing solutions with flexible terms through quick and comprehensive loan assessment and approval processes.

Our key customers primarily consist of AFR (三農), and SMEs and microenterprises in various industries.

Due to the increase in our capital base and strong demand for financing by our customers, our gross outstanding loans increased substantially from RMB541.3 million as of 31 December 2013 to RMB1,155.2 million as of 31 December 2014. The following table sets forth our registered capital, gross outstanding loans and advances to customers, and leverage ratio as of the dates indicated:

	As of 31 December	
	2014	2013
Registered capital (RMB in thousands)	880,000	510,000
Gross outstanding loans and advances to customers (RMB in thousands)	1,155,225	541,315
Leverage ratio ⁽¹⁾	1.31	1.06

Note:

(1) Represents the balance of the gross outstanding loans and advances to customers divided by registered capital.

For the years ended 31 December 2013 and 2014, our average interest rate for loans was 17.2% and 15.6%, respectively. The decline in our average interest rate during the aforesaid period was primarily: (i) in line with the market trend of the average interest rate charged by microfinance companies in Deqing, decreasing from 18.9% in 2012 to 16.8% in 2013 and further to 15.5% in 2014; (ii) due to an increase in loans of an amount over RMB5 million granted by us during the aforesaid period, of which we charged a relatively lower interest rate compared to our other loans ranging from RMB500,000 to RMB5 million, on the basis that such customers are relatively more established and financially stronger; and (iii) as a result of focusing more on serving customers with stronger repayment ability in 2014, of which we charged a lower interest rate, after an increase in overdue loan ratio to 2.3% in 2012.

We primarily served SMEs, microenterprises and individuals in the agricultural, industrial and service sectors in Deqing. For the years ended 31 December 2013 and 2014, we served over 450 and 460 customers, respectively.

Management Discussion and Analysis

The following table sets forth the number of our loans by size as of the dates indicated:

	As of 31 December	
	2014	2013
Up to RMB500,000	289	254
Over RMB500,000 to RMB1 million (inclusive)	151	288
Over RMB1 million to RMB5 million (inclusive)	291	150
Over RMB5 million	117	62
Total gross outstanding loans and advances to customers	848	754

For the years ended 31 December 2013 and 2014, 71.9% and 51.9% of our loan contracts were of loan size up to RMB1.0 million, respectively.

For the years ended 31 December 2013 and 2014, the total amount of loans we granted was RMB1,386.6 million and RMB2,388.8 million, respectively.

Loan Portfolio by Security

The following table sets forth our loan portfolio by security as of the dates indicated:

	As of 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Unsecured loans ⁽¹⁾	450	0.0	41,750	7.7
Guaranteed loans	1,098,330	95.1	418,460	77.3
Collateralized loans	55,445	4.8	78,705	14.5
Pledged loans	1,000	0.1	2,400	0.5
Total gross outstanding loans and advances to customers	1,155,225	100.0	541,315	100.0

Note:

- (1) Our unsecured loans are usually of small amount, with short term, and granted to customers who have good credit histories upon assessing the risks involved in the loans during our credit evaluation process.

Management Discussion and Analysis

The following table sets forth the maturity profile of the original term of our loans as of the dates indicated:

	As of 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Due within three months	29,970	2.6	18,210	3.4
Due between three months and six months	208,250	18.0	57,300	10.6
Due between six months and one year	915,135	79.2	465,705	86.0
Due more than one year ⁽¹⁾	1,870	0.2	100	0.0
Total gross outstanding loans and advances to customers	1,155,225	100.0	541,315	100.0

Note:

- (1) As of 31 December 2014, the majority of the loans we granted to our customers with a term more than one year were loans whereby their repayment terms were extended.

The following table sets forth our loan portfolio by exposure size as of the dates indicated:

	As of 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Up to RMB500,000	45,445	3.9	18,415	3.4
Over RMB500,000 to RMB1 million (inclusive)	76,580	6.7	120,950	22.4
Over RMB1 million to RMB5 million (inclusive)	363,200	31.4	122,850	22.7
Over RMB5 million	670,000	58.0	279,100	51.5
Total gross outstanding loans and advances to customers	1,155,225	100.0	541,315	100.0

Note:

- (1) Due to our increased capital strength since 2013, we were able to further diversify our customer base and loan portfolio by granting loans of larger amount to more established enterprise customers.

We adopt a loan classification approach to manage our credit risk on loan portfolio. We categorize our loans by reference to the "Five-Tier Principle" set forth in the *Guidance on Provisioning for Loan Losses* (銀行貸款損失準備計提指引) issued by the People's Bank of China on 2 April 2002.

Management Discussion and Analysis

The following table sets forth the breakdown of our total gross outstanding loans and advances to customers by category as of the dates indicated:

	As of 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Normal	961,260	83.2	439,940	81.3
Special mention	179,000	15.5	86,300	15.9
Substandard	14,420	1.2	14,300	2.6
Doubtful	370	0.1	600	0.1
Loss	175	0.0	175	0.1
Total gross outstanding loans and advances to customers	1,155,225	100.0	541,315	100.0

For “normal” and “special mention” loans, given that they are neither past due nor impaired, we make collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For “substandard”, “doubtful” and “loss” loans, the impairment losses are assessed individually as appropriate by an evaluation of the loss expected to be incurred on the balance sheet date.

The following table sets forth our key operating data as of the dates or for the years indicated:

	As of or for the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Impaired loan ratio⁽¹⁾	1.3%	2.8%
Balance of impaired loans	14,965	15,075
Gross outstanding loans and advances to customers.	1,155,225	541,315
Provision coverage ratio⁽²⁾	306.3%	159.7%
Allowances for impairment losses ⁽³⁾	45,831	24,077
Balance of impaired loans	14,965	15,075
Provision for impairment losses ratio⁽⁴⁾	4.0%	4.4%
Balance of overdue loans	545	775
Gross outstanding loans and advances to customers	1,155,225	541,315
Overdue loan ratio⁽⁵⁾	0.05%	0.1%

Management Discussion and Analysis

Notes:

- (1) Represents the balance of impaired loans divided by the balance of the gross outstanding loans and advances to customers. Impaired loan ratio indicates the quality of our loan portfolio.
- (2) Represents the allowances for impairment losses on all loans divided by the balance of impaired loans. The allowances for impairment losses on all loans include provisions provided for loans which are assessed collectively and provisions provided for impaired loans which are assessed individually. Provision coverage ratio indicates the level of provisions we set aside to cover probable loss in our loan portfolio.
- (3) Allowances for impairment losses reflect our management's estimate of the probable loss in our loan portfolio.
- (4) Represents the allowances for impairment losses divided by the balance of the gross outstanding loans and advances to customers. Provision for impairment losses ratio measures the cumulative level of provisions.
- (5) Represents the overdue loans divided by the balance of the gross outstanding loans and advances to customers.

Our impaired loans decreased slightly from RMB15.1 million as of 31 December 2013 to RMB15.0 million as of 31 December 2014, mainly because we continued to focus more on serving customers with stronger repayment ability in 2014, of which we charged a lower interest rate and there was relatively low level of overdue amount of RMB0.5 million as of 31 December 2014. As a result of the decreasing balance of our impaired loans as of 31 December 2014, our provision coverage ratio, which indicates the level of provisions we set aside to cover probable loss in our loan portfolio, increased from 159.7% of 31 December 2013 to 306.3% as of 31 December 2014.

The following table sets forth a breakdown of our overdue loans by security as of the dates or the years indicated:

	As of or for the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Unsecured loans	0.0	0.0
Guaranteed loans	0.0	0.0
Collateralized loans	545	775
Pledged loans	0.0	0.0
Total overdue loans	545	775

We had overdue loans of RMB0.8 million and RMB0.5 million as of 31 December 2013 and 2014, respectively, accounting for 0.1% and 0.05% of our gross outstanding loans as of the same dates. RMB300,000 of the overdue loans of RMB775,000 as of 31 December 2013 was recovered in March 2014. RMB70,000 of the overdue loans of RMB545,000 as of 31 December 2014 was recovered in January 2015.

Financial Overview

Net interest income

We generate interest income from loans we provide to customers and from our cash at banks. Our net interest income is net of interest and commission expenses. We incur interest expenses on bank and other borrowings to principally expand our business and meet working capital requirements, as well as bank charges.

The following table sets forth the breakdown of our net interest income by source for the years indicated:

	2014 RMB'000	2013 RMB'000
Interest income from		
Loans and advances to customers	159,954	90,697
Cash at banks	283	92
Total interest income	160,237	90,789
Interest and commission expenses from		
Borrowings from banks	(11,320)	(12,174)
Borrowings from non-bank institutions	(99)	(125)
Bank charges	(45)	(36)
Total interest and commission expenses	(11,464)	(12,335)
Net interest income	148,773	78,454

Our interest income from loans and advances to customers is primarily affected by the size of our loan portfolio and the average interest rate that we charge on loans to our customers. Our balance of outstanding loans increased during the reporting period, generally in line with the size of our capital base, which in turn is affected by the size of our registered capital and bank borrowings. Our gross outstanding loans amounted to RMB541.3 million and RMB1,155.2 million as of 31 December 2013 and 2014, respectively, and our average interest rate for loans was 17.2% and 15.6% for the years ended 31 December 2013 and 2014, respectively. The decline in our average interest rate during the reporting period was primarily: (i) in line with the market trend of the average interest rate charged by microfinance companies in Deqing, decreasing from 16.8% in 2013 to 15.5% in 2014; (ii) due to, in line with our enlarged capital base, the increased percentage of loans of an amount over RMB5 million granted during the reporting period, of which we charged a relatively lower interest rate compared to our other loans ranging from RMB500,000 to RMB5 million, given that such customers are relatively more established and financially stronger; and (iii) as a result of focusing more on serving customers with stronger repayment ability in 2014, of which we charged a lower interest rate, after an increase in overdue loan ratio to 2.3% in 2012.

Management Discussion and Analysis

Our interest and commission expenses, comprising interests on borrowings from banks and non-bank institutions, as well as bank charges, were RMB12.3 million and RMB11.5 million for the years ended 31 December 2013 and 31 December 2014, respectively. We incur interest expenses primarily on bank borrowings and the interest rate charged on our bank borrowings. Such borrowings were principally used to expand our loan business. The movement in our interest expenses mainly reflected the level of our bank borrowings. Our interest-bearing borrowings amounted to RMB171.0 million and RMB175.0 million as of 31 December 2013 and 31 December 2014, respectively. In 2014, our bank borrowings bore interest rates ranging from 6.9% to 7.8% on an annual basis. In addition to bank borrowings, we also had other borrowings of RMB11.0 million from the fund pool managed by Microfinance Union of Huzhou City as of 31 December 2013, which bore interest rates ranging from 7.3% to 10.0% on an annual basis and were unsecured. The total bank charges were RMB36,445 and RMB44,508 in 2013 and 2014, respectively.

Our net interest income for the year ended 31 December 2013 and as of 31 December 2014 was RMB78.5 million and RMB148.8 million, respectively.

Other revenue

Our other revenue for the years ended 31 December 2013 and 31 December 2014 was RMB5.6 million and RMB20.0 million, respectively. Our other revenue consists of government grants and investment returns from principal guaranteed wealth management products which we hold for a short period of time, usually less than a week. For 2013 and 2014, we received government grants of RMB4.7 million and RMB19.8 million, respectively. The government subsidies in relation to EIT and business tax granted by government are usually paid to us in the second half of the next year.

In 2013 and 2014, we had investment returns of RMB1.0 million and RMB0.2 million, respectively.

Impairment losses

Impairment losses include provisions we make in relation to loans and advances to our customers. We review our portfolios of loans and advances periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

In 2013 and 2014, our impairment losses were RMB2.5 million and RMB21.8 million, respectively.

Administrative expenses

Our administrative expenses mainly include: (i) business tax and surcharge; (ii) staff costs, such as salaries, bonuses and allowances paid to employees, social insurance and other benefits; (iii) office expenditure and travel expenses; (iv) operating lease charges; (v) depreciation and amortization expenses; (vi) consulting and professional service fees; and (vii) other expenses including business service charge, business development expenses, advertising expenses and miscellaneous expenses, such as stamp duty, training fees and labor protection fees. The table below sets forth the components of our administrative expenses by nature for the years indicated:

	2014 RMB'000	2013 RMB'000
Business tax and surcharge	8,967	5,133
Staff costs	3,590	2,075
Office expenditure and travel expenses	2,625	933
Operating lease charges	515	550
Depreciation and amortization expenses	695	591
Consulting and professional service fees	2,250	1,159
Business development expenses	269	350
Advertising expenses	2,186	158
Others	1,332	1,711
Total administrative expenses	22,429	12,660

Our business tax and surcharge mainly include: (i) business tax; (ii) city construction and maintenance tax; and (iii) education surcharge. For the years ended 31 December 2013 and 2014, our business tax and surcharge were RMB5.1 million and RMB9.0 million, respectively, accounting for 40.5% and 40.0% of our total administrative expenses, respectively. Our business tax was RMB4.6 million and RMB8.0 million in 2013 and 2014, respectively, accounting for 89.3% and 89.3% of our total business tax and surcharge, respectively.

Our staff costs accounted for 16.4% and 16.0% of total administrative expenses for the years ended 31 December 2013 and 2014, respectively. In addition to base salary, since 2012, we also offered performance-based bonus to incentivize our customer relationship managers. For the years ended 31 December 2013 and 2014, we paid RMB0.2 million and RMB0.1 million, respectively, to our employees as performance-based bonus, accounting for 0.2% and 0.06% of our interest income during the same period.

Compared to 2013, we incurred more advertising expense in 2014 in order to increase our brand recognition. Our administrative expenses for the years ended 31 December 2013 and 2014 were RMB12.7 million and RMB22.4 million, respectively.

Management Discussion and Analysis

Income tax

Our income tax for the years ended 31 December 2013 and 2014 was RMB17.4 million and RMB31.2 million, respectively, and our effective tax rate was 25.2% and 25.0%, respectively.

Profit for the year

As a result of the foregoing, we had profit for the year of RMB51.6 million and RMB93.4 million in 2013 and 2014, respectively.

Liquidity and Capital Resources

The H Shares were listed on the Main Board of the Stock Exchange on 13 January 2015 with net proceeds from the offering of the Company of approximately HK\$338.4 million (after deducting underwriting fees and related expenses).

We have in the past funded our working capital and other capital requirements primarily by equity contributions from Shareholders, bank borrowings and cash flows from operations. Our liquidity and capital requirements primarily relate to extending loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion. Other than normal bank borrowings we obtain from commercial banks and potential debt financing plans, such as asset securitization, we do not expect to have any material external debt financing plan in the near future.

Working Capital Management

Cash flows

The following table sets forth a selected summary of our cash flow statement for the years indicated:

	2014 RMB'000	2013 RMB'000
Cash and cash equivalents at beginning of year	81,100	19,612
Net cash used in operating activities	(474,134)	(19,809)
Net cash generated/(used in) from investing activities	149,463	(149,062)
Net cash generated from financing activities	268,059	230,359
Net (decrease)/increase in cash and cash equivalents	(56,612)	61,488
Cash and cash equivalents at end of year	24,488	81,100

Net cash used in operating activities

Our cash generated from operating activities primarily consists of interest income from loans we grant to customers. Our cash used in operating activities primarily consists of loans and advances we extend to our customers and various taxes.

As we recorded equity contributions from Shareholders and bank borrowings as cash generated from financing activities, we classified the deployment of such cash in granting new loans to customers as cash used in operating activities and, as a result, we typically reported net cash used in operating activities. Due to the lending-based nature of our business and the accounting treatment that such deployment of cash is accounted for as operating cash outflow, we typically experience net cash outflows from operating activities when we expand our loan business as a result of such accounting treatment, which is generally in line with the industry norm.

Net cash used in operating activities in 2014 was RMB474.1 million. Our net cash flows from operating activities reflect: (i) our profit before tax of RMB124.6 million, adjusted for non-cash and non-operating items, primarily including impairment losses of RMB21.8 million and interest expenses of RMB11.4 million; (ii) the effect of changes in working capital, primarily including an increase in loans and advances to customers of RMB613.9 million, due to our enlarged business scale mainly because of our capital injections in December 2013 and March 2014, and an increase in accruals and other payables of RMB18.0 million, mainly as a result of the government grants of RMB13.0 million we recorded during the first half of 2014; and (iii) income tax paid of RMB40.3 million.

Net cash (used in)/generated from investing activities

For the year ended 31 December 2014, our net cash generated from investing activities was RMB149.5 million. Our net cash inflows for investing activities mainly consisted of proceeds from disposal of principal guaranteed wealth management products of RMB670.6 million, partially offset by our payments for such investment products of RMB520.5 million.

Net cash generated from financing activities

Our cash generated from financing activities consisted primarily of proceeds from equity contributions and new borrowings. Our cash used in financing activities consists of: (i) repayment of borrowings; (ii) interests paid; and (iii) dividend payments.

For the year ended 31 December 2014, our net cash generated from financing activities was RMB268.1 million. Our net cash flows from financing activities consisted of equity contributions of RMB288.0 million and new borrowings of RMB245.0 million, which was offset by: (i) repayments of borrowings of RMB241.0 million; (ii) cash paid for other financing activities of RMB12.8 million, which was professional fees in relation to the Listing; (iii) interests paid of RMB8.3 million; and (iv) dividend paid of RMB2.8 million.

Management Discussion and Analysis

Cash management

As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2013 and 2014, the total cash and cash equivalents amounted to RMB81.1 million and RMB24.5 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected items of the statement of financial position

The following table sets forth a summary of our assets and liabilities as of the dates indicated:

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Assets		
Cash and cash equivalents	24,488	81,100
Trading financial assets	—	150,000
Interest receivables	9,795	8,622
Loans and advances to customers	1,109,394	517,238
Fixed assets	1,636	1,630
Deferred tax assets	15,182	6,131
Other assets	16,922	12,027
Total assets	1,177,417	776,748
Liabilities		
Interest-bearing borrowings	175,000	171,000
Accruals and other payables	21,798	6,426
Current tax liabilities	9,740	9,842
Total liabilities	206,538	187,268
Net assets	970,879	589,480

Cash and cash equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. The following table sets forth our cash and cash equivalents as of the dates indicated:

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Cash in hand	—	17
Cash at banks	24,488	81,083
Cash and cash equivalents	24,488	81,100

The decrease in our cash and cash equivalents from RMB81.1 million as of 31 December 2013 to RMB24.5 million as of 31 December 2014 was primarily because we have used a majority of the equity contributions in both December 2013 and March 2014 to grant loans to customers.

Trading financial assets

Pursuant to our treasury and investment policies, we may conduct investment activities including purchase of wealth management products, venture investments and securities investments. Such investment activities require prior approval by the Board or Shareholders' meeting and are subject to internal reporting and monitoring procedures. For short-term investment products, such as securities, bonds and investment funds, we conduct comprehensive review on such products at the end of their respective terms. In addition, we estimate the potential losses and make provisions for losses where we deem appropriate. In order to better flexibly utilize our surplus cash in hand, we took into consideration the level of our outstanding loans and loan repayments, market conditions, business development plans and relevant transaction costs, and when we thought appropriate, purchased principal guaranteed wealth management products offered by commercial banks, which we held for a relatively short period of time, usually less than a week, from which we recorded investment returns. We had trading financial assets of RMB150.0 million as of 31 December 2013, which we purchased on 31 December 2013 and subsequently held until January 2014. We did not have such financial assets as of 31 December 2014.

Interest receivables

Our interest receivables increased from RMB 8.6 million as of 31 December 2013 to RMB 9.8 million as of 31 December 2014. The increase in our interest receivables was mainly in line with the increase in our outstanding loans, primarily as a result of our enlarged business scale and capital base.

Management Discussion and Analysis

Loans and advances to customers

Our loans and advances to customers reflect the total balance of our loan portfolio. The following table sets forth our gross loans and advances to customers by customer type as of the dates indicated:

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Loans to enterprises ⁽¹⁾	699,580	305,410
Loans to individuals	455,645	235,905
Total gross loans and advances to customers	1,155,225	541,315
Allowances for impairment losses		
— collective	(40,380)	(18,696)
— individual	(5,451)	(5,381)
Total allowances for impairment losses	(45,831)	(24,077)
Net loans and advances to customers	1,109,394	517,238

Note:

(1) Include loans to sole proprietors.

As of 31 December 2014, our net loans and advances to customers amounted to RMB1,109.4 million mainly because of our capital injections in December 2013 and March 2014, which we used to grant loans to customers.

We focus on providing short-term loans to minimize our risk exposure and, as a result, a substantial majority of our loans and advances to customers have a term of less than one year. The following table sets forth a maturity profile of the original term of our gross loans and advances to customers as of the dates indicated:

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Due within three months	29,970	18,210
Due between three months and six months	208,250	57,300
Due between six months and one year	915,135	464,005
Due more than one year	1,870	1,800
Total gross loans and advances to customers	1,155,225	541,315

Management Discussion and Analysis

We had overdue loans of RMB0.8 million and RMB0.5 million as of 31 December 2013 and 2014, respectively, accounting for 0.1% and 0.05% of our total gross loans and advances to customers as at the same dates.

The following table sets forth our loan portfolio by security as of the dates indicated:

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Unsecured loans ⁽¹⁾	450	41,750
Guaranteed loans	1,098,330	418,460
Collateralized loans	55,445	78,705
Pledged loans	1,000	2,400
Total gross loans and advances to customers	1,155,225	541,315

Note:

- (1) Our unsecured loans are usually of small amount, with short term, and granted to customers who have good credit histories upon assessing the risks involved in the loans during our credit evaluation process.

The majority of our loans were guaranteed loans during the years ended 31 December 2013 and 2014. Our guaranteed loans accounted for 77.3% and 95.1% of our total gross loans and advances to customers as of 31 December 2013 and 2014, respectively.

Other assets

Our other assets primarily consist of listing service fees as of 31 December 2014. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Other receivables ⁽¹⁾	—	9,000
Deferred expenses ⁽²⁾	—	2,986
Listing service fees	16,237	—
Others	685	41
Total other assets	16,922	12,027

Notes:

- (1) Represent our deposit to a fund pool managed by Microfinance Union of Huzhou City.
 (2) Mainly consist of interest prepayments to Bank of China, Deqing Branch.

Management Discussion and Analysis

As of 31 December 2013 and 2014, our other assets were RMB12.0 million and RMB16.9 million, respectively. As of 31 December 2014, we also incurred service fees in relation to the Listing of RMB16.2 million, all of which have been charged to equity upon the Listing.

Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables by nature as of the dates indicated:

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Business tax, surcharges and other tax payables	1,286	3,978
Accrued staff cost	1,147	463
Interest payables	532	340
Consulting fee payables	—	1,053
Conditional government grants	13,000	—
Listing service fee payables	4,475	—
Others	1,358	592
Total accruals and other payables	21,798	6,426

Note:

(1) Includes payables of business service charge and other accruals.

Our accruals and other payables mainly include: (i) business tax, surcharges and other tax payables; (ii) payables of consulting fees; (iii) conditional government grants; and (iv) payables of Listing service fees. Our accruals and other payables as of 31 December 2014 substantially increased to RMB21.8 million primarily because of payables of listing fees of RMB4.5 million and conditional government grants of RMB13.0 million in relation to the Listing, partly offset by a decrease in tax payables of RMB2.7 million to RMB1.3 million as of 31 December 2014.

Current tax liabilities

Our current tax liabilities, which represent payables of our income tax, were RMB9.8 million and RMB9.7 million, respectively, as of 31 December 2013 and 2014.

Capital commitments

We did not have any capital commitment as of 31 December 2014.

The following tables set forth certain key financial ratios as of the dates indicated:

	As of 31 December	
	2014	2013
Return on weighted average equity	11.0%	13.8%
Return on average assets ⁽¹⁾	9.6%	8.2%

Note:

(1) Represents profit for the year divided by average balance of total assets as of the beginning and end of a year.

	As of 31 December	
	2014	2013
Gearing ratio ⁽¹⁾	15.5%	15.3%

Note:

(1) Represents total interest-bearing borrowings, less cash and cash equivalents, divided by total equity as of the end of a year.

Our return on weighted average equity decreased from 13.8% in 2013 to 11.0% in 2014 primarily due to the increase in our capital base as a result of capital contributions received in December 2013 and March 2014. Our return on average assets increased in 2014 mainly attributable to the continued growth of our business and profit.

Capital expenditures

Our capital expenditures consist primarily of expenditures for the purchase of equipment and vehicles. The following table sets forth our capital expenditures as of the dates indicated:

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Capital expenditures	701	30

We incurred capital expenditures of RMB0.6 million for the year ended 31 December 2014 mostly on vehicles.

Management Discussion and Analysis

Related party transactions

During the year ended 31 December 2014, we leased a property from Mr. Yu Yin, an executive Director and the chairman of the Board. For the years ended 31 December 2013 and 2014, the rental payment was approximately RMB0.6 million and RMB0.5 million, respectively. Such related party transaction constitutes a continuing connected transaction under Chapter 14A of the Listing Rules and is fully exempted from Shareholders' approval, annual review and all disclosure requirements.

Our Directors confirm that the lease was conducted on an arm's length basis and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

During the reporting period, certain of our related parties obtained loans from us and/or provided guarantees for loans we granted to third parties. As of 31 December 2014, all of such loans to our related parties had been repaid and all of such guarantees by our related parties had been released. For the years ended 31 December 2013 and 2014, the interest income we received from such related party transactions amounted to RMB121,693 and RMB867, respectively, which was minimal to our interest income during the same period. Our Directors confirm that these loans were carried out on normal commercial terms. As such transaction was entered into before the Listing Date and ceased to continue after the Listing Date, Chapter 14A of the Listing Rules was not applicable.

Certain of our Shareholders and Directors, including Deqing Puhua Energy Company Limited* (德清普華能源有限公司) and Zuoli Holdings Group Company Limited* (佐力控股集團有限公司), had guaranteed some of our bank borrowings and our loans to customers. Bank borrowings amounted to RMB160.0 million and RMB175.0 million as of 31 December 2013 and 2014, respectively. We have obtained a confirmation dated 8 August 2014 from Bank of China, Deqing Branch confirming that, upon our listing on the Hong Kong Stock Exchange, such guarantees will be irrevocably automatically released and the underlying loan agreements will remain effective. As such transactions were entered into before the Listing Date and ceased to continue after the Listing Date, Chapter 14A of the Listing Rules was not applicable.

Indebtedness

Borrowings

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

	As of 31 December	
	2014 RMB'000	2013 RMB'000
Bank borrowings	175,000	160,000
Other borrowings	—	11,000
Total borrowings	175,000	171,000

The steady increase in our bank borrowings from 2013 to 2014 was a result of our business expansion.

Off-balance Sheet Arrangements

As of 31 December 2014, we did not have any off-balance sheet arrangements.

Employment and Emoluments

As of 31 December 2014, the Company had approximately 29 employees. Employees' remuneration has been paid in accordance with relevant policies in the PRC. Appropriate salaries and bonuses were paid which are commensurate with the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance, housing allowance, etc.

Prospects

With the establishment of China Microfinance Companies Association (中國小額貸款公司協會) in January 2015, the financing intermediary role played by microfinance companies in the PRC is increasingly being recognized by the relevant authorities and the microfinance industry as a whole is expected to benefit from the regulatory point of view. In terms of our market, Deqing was placed among the nation's top 100 counties in terms of comprehensive strength in economic, social condition, environmental and government management aspects (綜合實力百強縣). A number of high-technology, bio-pharmaceutical and innovative enterprises have either selected Deqing as their headquarters or conducted business in Deqing, which has helped cultivate the local financial services sector. In addition, Deqing has been designated as a "technological outstanding county (科技強縣)" as well as a "financial innovation demonstration county (金融創新示範縣)" by the Zhejiang provincial government. As such, we expect Deqing to continue experience stable economic growth and provide us with a relatively conducive market environment for us to grow our market share as we continue to introduce innovative loan and related products, enhance our market penetration and increase our competitive advantages by utilizing our enlarged capital base.

Our successful listing on the Hong Kong Stock Exchange enlarges the capital scale of the Company and we intend to expand the business in Deqing county continuously while further increasing the market penetration rate of AFR (三農) customers through expanding the marketing channel.

At the same time, we plan to extend the geographical coverage of our businesses and we plan to expand the geographical coverage of our businesses in accordance with the policies and through setting up branches in Deqing, providing services to customers outside Deqing and carried out strategic acquisitions of other micro-finance companies or financial institutions. Subject to regulatory approval, we intend to operate loan business in other regions of Huzhou city and foray into other major cities in Zhejiang, such as Hangzhou and Jiaxing, in the next three to five years.

On 13 April 2015, the Financial Work Office of the People's Government of Zhejiang Province (浙江省人民政府金融工作辦公室) has approved the cooperation of the Company with micro e-commerce money lending platforms (the "Cooperation"), which enables the Company to provide loans in aggregate representing not more than 30% of the Company's funding available for the granting of loans, to online retailers, who engaged in the selling of lifestyle products, farm products, cultural and industrial goods. The aggregate amount of loans granted to any of such online retailers shall not exceed RMB500,000, and the relevant annualized interest rate shall not exceed 15%. The Board is of the opinion that the Cooperation marks a positive development of the Company with its official commencement in online finance business. The Board is of the view that such expansion in the scope of business would enable the Company to diversify its revenue stream, open up a channel for the provision of lending services to nationwide online retailers, break through its current geographical limitation in Huzhou and reduce its reliance on the Huzhou market.

Management Discussion and Analysis

Use of Proceeds

The total net proceeds from the global offering of approximately HK\$338.4 million (after deducting underwriting commissions and related expenses). The Company did not have any proceeds from the global offerings as at 31 December 2014 since the Company was only listed on 13 January 2015. The net proceeds are expected to be used for expanding the capital base of our loan business.

The Directors intend to apply the net proceeds in the manner as set out in the prospectus of the Company dated 30 December 2014.

Biographies of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Yu Yin (俞寅), aged 28, is our executive Director and the chairman of the Board. Mr. Yu is one of the Promoters of the Company. He is primarily responsible for the Company's day-to-day management, postulating business development plans and overseeing the Company's overall corporate strategies. He is also a member of the nomination committee and remuneration and appraisal committee. Mr. Yu is the son of Mr. Yu Youqiang (俞有強) who is the legal representative and the controlling shareholder of Puhua Energy, one of our Controlling Shareholders.

From August 2007 to March 2011, Mr. Yu was the chairman of the board of directors at Zhejiang Deqing Longxiang Investment Company Limited* (浙江德清隆祥投資有限公司, formerly known as Zhejiang Deqing Longxiang Guaranty Company Limited* (浙江德清隆祥擔保投資有限公司, "Deqing Longxiang"), a company then principally engaged in the provision of guarantee for SMEs and individuals and the related advisory services, and investment holding. Mr. Yu was involved in decision making of key issues but was not involved in the day-to-day management of Deqing Longxiang. During the same period of time, Mr. Yu was also working as an assistant to the president* (行長助理), being responsible for marketing at Deqing Rural Cooperative Bank Wukang Branch* (德清農村合作銀行武康支行, currently known as Zhejiang Deqing Rural Commercial Bank Company Limited* (浙江德清農村商業銀行股份有限公司)).

Mr. Yu obtained a bachelor's degree in business administration from Oxford Brookes University in May 2007. From December 2011 to September 2012, Mr. Yu attended courses in Intermediate Studies for CEOs of the Cross-Straits Frontier* (海峽兩岸企業總裁前沿課程首期高級研修班) offered by School of Management, Fudan University and National Taiwan Normal University. From October 2012, Mr. Yu has been undertaking an Executive Master of Business Administration (EMBA) course in Fudan University.

Mr. Yu, being one of our Promoters, has been one of our directors since the establishment of our Predecessor Company in August 2011.

As at the date of this annual report, Mr. Yu was interested in 44.89% of the Domestic Shares.

Mr. Zheng Xuegen (鄭學根), aged 50, is our executive Director, vice chairman, deputy general manager and secretary to our Board. Mr. Zheng is also one of the founders of the Company. He is primarily responsible for the day-to-day operations, strategic development and administrative management.

From September 1990 to December 1994, Mr. Zheng worked as a researcher at Deqing Bulb Factory* (德清縣燈泡廠, currently known as Zhejiang Zhanzi Photoelectricity Co., Ltd* (浙江占字光電股份有限公司)), a company primarily engaged in manufacturing of lighting products. From January 1995 to January 1997, Mr. Zheng was the office manager* (廠辦主任) of the Crystal Fibre Factory of Zhejiang OSMUN Group Company Limited* (浙江歐詩漫集團有限公司), a company primarily engaged in manufacturing of skin care products, cosmetics and thermal insulation materials. Prior to joining our Predecessor Company, Mr. Zheng had worked successively as the officer in chief, human resources manager, secretary of the board of directors and deputy general manager at Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) ("Jolly Pharmaceutical"). In January 2008, Mr. Zheng served as a director and the deputy general manager of Jolly Pharmaceutical where he mainly carried out day-to-day management. He has served as a non-executive director of Jolly Pharmaceutical since 10 March 2014, where he has been mainly responsible for assisting the chairman in formulating strategies. Jolly Pharmaceutical is a company established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 300181) and is principally engaged in the research, development, production and sales of pharmaceutical products.

Biographies of Directors, Supervisors and Senior Management

In February 2003, Mr. Zheng was accredited as the Excellent Worker for Workers' Union* (優秀工會工作者) by Huzhou City General Workers' Union* (湖州市總工會). In June 2006, Mr. Zheng obtained a Certificate for Completion of Training Course — File Management (Zhejiang)* (浙江省檔案管理崗位培訓證書) issued by Zhejiang Dang'an Cadre Education Training Centre (浙江省檔案幹部教育培訓中心). In September 2012, he also obtained a certificate for training for senior management of listed companies* (上市公司高級管理人員培訓證書) issued by Zhejiang Securities Regulatory Bureau* under CSRC (中國證券監督管理委員會浙江證監局). In December 2013, Mr. Zheng obtained a qualification certificate for secretary to board of directors* (董事會秘書資格證書) issued by the Shenzhen Stock Exchange.

Mr. Zheng has been acting as the vice chairman of our Predecessor Company since August 2011. On 10 March 2014, Mr. Zheng resigned as the deputy general manager of Jolly Pharmaceutical. As Mr. Zheng is serving as a non-executive director of Jolly Pharmaceutical, he does not participate in the day-to-day management of Jolly Pharmaceutical and he can devote sufficient time and efforts to acting as an executive Director of the Company. The Company therefore considers that Mr. Zheng has sufficient capacity to discharge his duties as directors of two listed companies.

Mr. Zheng obtained an adult higher education certificate majoring in economic management (經濟管理專業成人高等教育專業證書) from the Zhejiang Province Department Employee Colleges* (浙江省省級機關職工業餘大學) in February 2002. In January 2013, he also obtained a college diploma (專科文憑) in management through online learning majoring in administration management from China University of Geosciences (中國地質大學).

As at the date of this annual report, Mr. Zheng was interested in 0.34% of the Domestic Shares.

Mr. Hu Haifeng (胡海峰), aged 49, is our executive Director and general manager. Mr. Hu is responsible for the Company's business management. Prior to joining the Company, Mr. Hu had gained extensive work experience relating to credit assessment and financing with rural credit cooperatives and banks in Deqing. From May 1983 to May 1987, Mr. Hu worked at Deqing Xiashe Credit Cooperatives* (浙江省德清縣下舍信用社, currently known as Zhejiang Deqing Rural Commercial Bank Company Limited* (浙江德清農村商業銀行股份有限公司)) as a credit officer. From May 1987 to July 1987, Mr. Hu was on secondment to the Credit Union of Agricultural Bank of China, Deqing Sub-branch* (中國農業銀行德清縣支行信用合作股) and participated in the setting up of Credit Cooperative Union of Deqing* (德清縣信用聯社, currently known as Zhejiang Deqing Rural Commercial Bank Company Limited* (浙江德清農村商業銀行股份有限公司)). From July 1987 to September 1992, Mr. Hu worked as the operations officer at the Credit Cooperative Union of Deqing, currently known as Zhejiang Deqing Rural Commercial Bank Company Limited* (浙江德清農村商業銀行股份有限公司). From August 1994 to December 2003, Mr. Hu worked successively as an officer in chief and a manager of credit management department at Deqing Sub-branch of Agricultural Bank of China* (中國農業銀行德清縣支行), a company whose shares are currently listed on the Shanghai Stock Exchange (Stock Code: 601288) and the Hong Kong Stock Exchange (Stock Code: 1288), where he gained considerable experience in the loan and credit industry. From January 2004 to June 2008, Mr. Hu worked as a deputy general manager of Jing Sheng Da Group Company* (金盛達集團公司), a company primarily engaged in real estate development, where he was responsible for daily operation. Prior to joining our Predecessor Company, Mr. Hu served as a general manager at Huanggang Sheng Hua Real Estate Development Company Limited* (黃岡昇華房地產開發有限公司), where he had overseen the overall business operation, from June 2008 to April 2011.

In June 1989, Mr. Hu received the qualification of assistant manager issued by Evaluation Committee for Professional Skills, Deqing Branch of Agricultural Bank of China* (農業銀行德清縣支行專業技術職務評審委員會). He also received a certificate for qualified credit officer issued by Zhejiang Branch of Agricultural Bank of China (中國農業銀行浙江省分行) in January 1996. In February 2012, Mr. Hu became a member of the eighth session of Deqing Committee of Chinese People's Political Consultative Conference* (中國人民政治協商會議第八屆德清縣委員會).

Biographies of Directors, Supervisors and Senior Management

In August 2011, Mr. Hu, one of the Promoters established our Predecessor Company with other founders. He has been acting as the general manager of our Predecessor Company since August 2011.

Mr. Hu graduated from Hunan Rural University of Financial Staff* (湖南農村金融職工大學) and obtained a college diploma (專科文憑) majoring in Cooperative Finance* (合作金融) in July 1994. From January 2003 to January 2005, Mr. Hu studied at China Central Radio and TV University* (中央廣播電視大學) and obtained a bachelor's degree majoring in finance.

As at the date of this annual report, Mr. Hu was interested in 1.21% of the Domestic Shares.

Mr. Ding Maoguo (丁茂國), aged 33, is our executive Director and Chief Financial Officer. Mr. Ding is responsible for the financial management and corporate finance matters of the Company.

Mr. Ding Maoguo has auditing experience of about eight years with several PRC accountant firms from 2004 to 2012. From July 2004 to November 2006, Mr. Ding Maoguo worked as an audit assistant* (審計助理) at Zhejiang Tianhui Certified Public Accountants Co., Ltd.* (浙江天惠會計師事務所有限公司). From December 2006 to June 2008, Mr. Ding worked as audit project manager* (審計項目經理) at Zhejiang Oriental Zhong Hui Certified Public Accountants Co., Ltd.* (浙江東方中匯會計師事務所有限公司). From January 2009 to August 2009, Mr. Ding worked as an audit project manager at Zhejiang Pan-China Certified Public Accountants* (浙江天健東方會計師事務所). Mr. Ding became an audit manager* (審計經理) of Zhong Hui Certified Public Accountants Co., Ltd* (中匯會計師事務所有限公司) in September 2009. After leaving Zhong Hui Certified Public Accountants Co., Ltd* (中匯會計師事務所有限公司) in December 2012, Mr. Ding worked as the chief financial officer (財務總監) at Zhejiang Song Chuan Instrument Technology Co., Ltd.* (浙江松川儀錶科技股份有限公司), a company primarily engaged in manufacturing and sales of gas meter, from January 2013 to July 2013 and as the head of the finance department at Ningbo Jiang Chen Automation Equipment Co., Ltd.* (寧波江宸自動化裝備有限公司), a company primarily engaged in manufacturing of automation equipment for automobile parts and components, from August 2013 to February 2014. He was responsible for financial management and control in the abovementioned companies. Mr. Ding joined our Predecessor Company as the chief financial officer in March 2014.

On 4 April 2007, Mr. Ding was admitted as a certified public accountant of the Chinese Institute of Certified Public Accountants.

From September 2000 to June 2004, Mr. Ding studied at Zhejiang University of Technology (浙江工業大學), and obtained a bachelors' degree in Financial Management from Zhejiang University of Technology in June 2004.

As at the date of this annual report, Mr. Ding was interested in 0.50% of the Domestic Shares.

Non-Executive Director

Mr. Pan Zhongmin (潘忠敏) (formerly known as Pan Zhongming (潘忠明)), aged 41, was appointed as our non-executive Director on 8 August 2014.

Mr. Pan has over 10 years of experience in marketing related matters. From October 1998 to February 2003, Mr. Pan worked as a sales and marketing representative in Deqing Wukang Zhong Sheng Refractory and Heat Insulating Material Operating Department* (德清縣武康中盛耐火保溫材料經營部), a company primarily engaged in the sales and marketing of heat insulating material and refractory materials. From March 2003 to January 2005, Mr. Pan Zhongmin worked as a deputy general manager in Hangzhou Meibao Furnace Engineering Co., Ltd.* (杭州美寶爐審工務有限公司), a company primarily engaged in the design, production and installation of furnace. He was responsible for overseeing the daily operation in the abovementioned companies. Since March 2005 till now, Mr. Pan has been the chairman of the board of directors of Bangni Fiber. Bangni Fiber is a company mainly engaged in production and sales of refractory fiber and materials where Mr. Pan has been responsible for strategic planning and business development.

Biographies of Directors, Supervisors and Senior Management

Mr. Pan graduated from Deqing Agricultural Vocational High School* (德清縣農職業高級中學) in July 1992. In July 2011, he obtained a college diploma (專科文憑) through online learning majoring in business administration management from Dalian University of Technology (大連理工大學).

As at the date of this annual report, Mr. Pan was interested in 1.34% of the Domestic Shares.

Independent Non-Executive Directors

Mr. Ho Yuk Ming, Hugo (何育明), aged 43, was appointed as our independent non-executive Director on 28 April 2014. Mr. Ho is also a chairman of each the audit committee and a member of the remuneration and appraisal committee of the Board.

Mr. Ho Yuk Ming, Hugo graduated from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) with an honours diploma in accountancy in July 1996. He was admitted as an associate member of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) in March 2000 and is a certified public accountant in Hong Kong.

Mr. Ho Yuk Ming, Hugo has over 10 years of experience in auditing, accounting and finance related matters. As of the date of this annual report, Mr. Ho has worked in the following companies listed on the Stock Exchange:

Name	Stock Code	Position	Tenure
Best Wide Group Limited	464 (delisted in November 2001)	accounting manager	May 2000 to July 2006
National United Resources Holdings Limited (formerly known as eCyberChina Holdings Limited)	254	executive director	March 2004 to September 2004
		financial controller	March 2004 to December 2004
V1 Group Limited (formerly known as Yanion International Holdings Limited, Vodone Limited)	82	executive director	January 2005 to February 2006
		qualified accountant	April 2005 to March 2006
United Energy Group Limited	467	accounting manager	September 2006 to March 2010
		company secretary	April 2008 to February 2010
Shenzhen Mingwah Aohan High Technology Corporation Limited	8301	company secretary	July 2013 to 28 February 2014
Wuxi Sunlit Science and Technology Company Limited	1289	independent non-executive director	August 2013 till now
Future Bright Mining Holdings Limited	2212	chief financial officer	April 2014 till now
		company secretary	September 2014 till now

Biographies of Directors, Supervisors and Senior Management

From April 2010 to February 2014, Mr. Ho Yuk Ming, Hugo has also acted as the accounting manager of Carlico International Group Holdings Limited (formerly known as Kinco Enterprises Limited). Mr. Ho has also acted as the financial controller of Great China Brokerage Limited on a parttime basis from October 2012 to February 2014.

Mr. Jin Xuejun (金雪軍), aged 56, was appointed as our independent non-executive Director on 28 April 2014. Mr. Jin is also a member of each of the audit committee, nomination committee of the Board and a chairman of the remuneration and appraisal committee of the Board.

Mr. Jin Xuejun has about 20 years of teaching experience with Zhejiang University (浙江大學). He was successively a lecturer, a deputy professor, and is currently a professor of the Applied Economics Research Centre of Zhejiang University (浙江大學應用經濟研究中心). He was also the vice department head of the Economics Department of Zhejiang University from 1998 to 2005. In May 2010, Mr. Jin received the National Achievement Award in Commence Development and Research* (全國商務發展研究成果獎). In 2007, Mr. Jin was recognized as Young and Middle-aged Expert with Outstanding Contributions* (有突出貢獻中青年專家) by the People's Government of Zhejiang. In October 2010, Mr. Jin was recognized as Excellent Advisor for Doctoral Dissertations* (全國優秀博士學位論文指導教師) by the Ministry of Education of the PRC and the Academic Degree Committee under the State Council* (國務院學位委員會).

Mr. Jin Xuejun was an independent non-executive director of Harbin High Tech (Group) Co., Ltd. (哈爾濱高科技(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600095), and Zhejiang Orient Holdings Co., Ltd. (浙江東方股份集團有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600120), from August 2008 to September 2014. He has been an independent non-executive director of Zhejiang Weixing Industry Development Co., Ltd.* (浙江偉星實業發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002003), since September 2012, Xihu Zhongbao Co., Ltd.* (新湖中寶股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600208), since October 2012 and ZheJiang Wansheng Co., Ltd. (浙江萬盛股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603010), since November 2013. Mr. Jin has also been an executive director of Hakim Information Technology Co., Ltd.* (漢鼎信息科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300300), since February 2014.

Mr. Jin graduated from Nankai University (南開大學) and obtained a bachelor's degree in economics in July 1982. Mr. Jin obtained a master's degree in economics from Nankai University in July 1985.

Ms. Huang Lianxi (黃廉熙), aged 52, was appointed as our independent non-executive Director on 28 April 2014. Ms. Huang is also a member of the audit committee of the Board and a chairman of the nomination committee of the Board.

From September 1984 to September 2003, Ms. Huang worked at Zhejiang Economy Law Firm* (浙江省經濟律師事務所, currently known as Zhejiang Zhe Jing Law Firm* (浙江浙經律師事務所)) as a lawyer, deputy head officer (副主任) and partner successively. From January 1996 to January 1998, Ms. Huang was under the employment of the abovesaid law firm on secondment to Zhejiang Fuchun Company Limited* (富春有限公司) to handle legal related matters. Ms. Huang has been a partner of Zhejiang Tiance Law Firm* (浙江天冊律師事務所) since September 2003. In October 2008, Ms. Huang was recognized as Outstanding Lawyer for the years 2005 to 2007 by All China Lawyers Association. In March 2013, Ms. Huang became a member of the twelfth National Committee for Chinese Peoples' Political Consultative Conference* (中國人民政治協商會議第十二屆全國委員會). In May 2014, Ms. Huang was appointed by China International Economic and Trade Arbitration Commission as an arbitrator of the Commission.

Biographies of Directors, Supervisors and Senior Management

Ms. Huang was an independent non-executive director of Zhejiang Zhenyuan Company Limited (浙江震元股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000705), from June 2008 to August 2014. She has been an independent non-executive director of China Calxon Group Company Limited* (嘉凱城集團股份有限公司, formerly known as Hunan Yahua Holdings Group Company Limited* (湖南亞華控股集團股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000918), since August 2009, Zhe Jiang Kangsheng Co., Ltd. (浙江康盛股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002418), since July 2013 and Zhejiang Shenghua Biok Biology Co., Ltd. (浙江昇華拜克生物股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600226) since April 2009.

In August 1983, Ms. Huang Lianxi graduated from East China College of Political Science and Law (華東政法學院) (currently known as East China University of Political Science and Law (華東政法大學)) majoring in law. Ms. Huang furthered her legal study at Shanghai College of International Business and Economics (上海對外貿易學院) (currently known as Shanghai University of International Business and Economics (上海對外貿易大學)) in September 1984 and graduated in July 1986. From 1991 to 1992, Ms. Huang attended a one-year course in United Kingdom Practical Training Scheme for Lawyers of the People's Republic of China at the University of London and obtained a certificate of completion in July 1992. Ms. Huang was granted the qualification to practice in securities law jointly by Ministry of Justice of the PRC and CSRC in July 1996.

Supervisors

Mr. Dai Shengqing (戴勝慶), aged 47, was appointed as our Supervisor with effect from 8 August 2014. From September 1984 to July 1986, Mr. Dai studied at Zhejiang College of Finance & Economics* (浙江財政學校) (currently known as Zhejiang University of Finance & Economics (浙江財經大學)) majoring in infrastructure finance and credit* (基建財務與信用), and obtained the diploma in vocational education from Zhejiang College of Finance & Economics in September 1986. From September 1988 to November 1992, Mr. Dai studied part-time at Zhejiang Radio & Television University (浙江廣播電視大學) majoring in finance, and obtained a college diploma (專科文憑) from Zhejiang Radio & Television University in December 1992.

From July 1986 to August 2001, Mr. Dai Shengqing worked at Deqing Sub-branch of China Construction Bank (中國建設銀行德清支行), a company whose shares are currently listed on the Shanghai Stock Exchange (Stock Code: 601939) and the Hong Kong Stock Exchange (Stock Code: 0939). From September 2001 to September 2010, Mr. Dai worked as a deputy general manager at Deqing Xing Long Real Estate Development Company Limited* (德清興隆房地產開發有限公司). From October 2010 to December 2012, Mr. Dai Shengqing worked as a deputy general manager at Zhejiang Dewei Science and Technology Company Limited* (浙江德微科技有限公司), a company primarily engaged in research and development in software and hardware. Since January 2013 till now, Mr. Dai Shengqing worked as a deputy general manager in Deqing Yulong Tourism Development Company Limited* (德清御隆旅遊開發有限公司), a company primarily engaged in tourism program development. In November 1998, Mr. Dai Shengqing obtained the qualification certificate of finance (intermediate level)* (專業資格證書金融專業(中級)) issued by the Ministry of Personnel of the PRC (中華人民共和國人事部, currently known as the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)).

Mr. Wang Peijun (王培軍), aged 41, was appointed as our Supervisor with effect from 8 August 2014. From September 1994 to August 1997, Mr. Wang Peijun studied marketing courses provided by Anhui University (安徽大學), and obtained a graduate certificate from Anhui University in August 1997. In January 2011, Mr. Wang graduated from the college of online education of Chongqing University (重慶大學) majoring in engineering management (engineering cost management)* (工程管理(工程造價管理方向)) with a college diploma (專科文憑).

Biographies of Directors, Supervisors and Senior Management

From September 1992 to December 2003, Mr. Wang Peijun worked as a manager of the sales department at Zhejiang Jiefang Decoration Engineering Co., Ltd.* (浙江解放裝飾工程有限公司), a company primarily engaged in interior design and design and installation of glass wall, steel and aluminium alloy doors and window frames. Since January 2004, Mr. Wang Peijun has been the general manager of Deqing Hong Yuan Decoration Company Limited* (德清宏遠裝飾有限公司), a company primarily engaged in interior design and design and installation of steel and aluminium alloy doors and window frames.

On 8 November 2006, Mr. Wang Peijun was recognized as a construction engineer* (建築施工工程師) by Quzhou City Personnel Labour Social Security Bureau* (衢州市人事勞動社會保障局, currently known as Quzhou City Human Resources and Social Security Bureau* (衢州市人力資源和社會保障局)).

Ms. Shen Yamin (沈姪敏), aged 33, was appointed as our Supervisor with effect from 28 April 2014. Ms. Shen graduated from China Central Radio and TV University* (中央廣播電視大學) in January 2009 with a college diploma (專科文憑) in business administration. From March 2000 to March 2011, Ms. Shen worked as a department manager at Moganshan Hotel, Deqing* (德清莫干山大酒店). In August 2011, Ms. Shen joined our Predecessor Company as an administration officer.

As at the date of this annual report, Ms. Shen was interested in 1.54% of the Domestic Shares.

Senior Management

Ms. Xia Jing (夏靜), aged 40, joined the Company as our manager of the Risk Management Department in August 2011. In February 2013, Ms. Xia Jing was redesignated as the manager of Business and Marketing Department of the Company and also as the assistant to the General Manager* (總經理助理). In April 2014, Ms. Xia was appointed as the deputy general manager of the Company. Ms. Xia also obtained a bachelor's degree majoring in law from China Central Radio and Television University* (中央廣播電視大學) and China University of Political Science and Law (中國政法大學), being the cooperative university, in January 2008. In October 1994, Ms. Xia was qualified by Ministry of Finance as accountant. In August 2004, Ms. Xia received a Qualification Certificate for Credit Loan Professional* (信貸從業人員資格證書) issued by Zhejiang Branch, Bank of China (中國銀行浙江省分行). In December 2005, Ms. Xia received a certificate of accounting professional issued by Deqing Financial Bureau.

In February 1994, Ms. Xia was awarded as excellent employee* (先進個人) by Deqing Subbranch, Bank of China (中國銀行德清支行). Ms. Xia has over 20 years of experience in banking and credit loan related matters. From November 1991 to December 2007, Ms. Xia worked successively as a chief of a branch, and customer manager at Deqing Sub-branch, Bank of China (中國銀行德清支行), a company whose shares are currently listed on the Shanghai Stock Exchange (Stock Code: 601988) and the Hong Kong Stock Exchange (Stock Code: 3988). From January 2008 to June 2011, Ms. Xia worked successively as a customer manager and manager of corporate division at Deqing Sub-branch, Bank of Communications (交通銀行德清支行), a company whose shares are currently listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 3328).

Biographies of Directors, Supervisors and Senior Management

Mr. Huang Chenjiang (黃晨江), aged 41, joined our Predecessor Company as a customer relationship manager in April 2012. Mr. Huang graduated from Huzhou No.5 Middle School (湖州市第五中學) in June 1990. Mr. Huang received a certificate of accountant issued by Zhejiang Provincial Department of Finance in December 1998. Mr. Huang has about ten years of accounting experience with Deqing Sub-branch, Industrial and Commercial Bank of China (中國工商銀行德清縣支行), a company whose shares are currently listed on the Shanghai Stock Exchange (Stock Code: 601398) and the Hong Kong Stock Exchange (Stock Code: 1398). From January 2002 to December 2006, Mr. Huang worked as the chief of general manager office* (總經辦主任) at Zhejiang Zhong Ke Mai Gao Material Co., Ltd.* (浙江中科邁高材料有限公司), a company primarily engaged in manufacturing and sales of chemical materials, where he had been responsible for the daily production management. Prior to joining the Company, Mr. Huang worked as a business manager responsible for daily management at Deqing Longxiang from August 2007 to March 2012. From February 2013 to June 2013, Mr. Huang worked as an assistant manager of the Risk Management Department of our Predecessor Company. In July 2013, Mr. Huang was promoted to be the manager of Risk Management Department of our Predecessor Company. He is now overseeing the risk management and the overall risk control system of the Company.

Mr. Wang Hui (汪暉), aged 45, joined our Company as a deputy general manager on 15 August 2014. Mr. Wang graduated from Hangzhou Institute of Commerce* (杭州商學院, currently known as Zhejiang Gongshang University (浙江工商大學)) majoring in household appliance* (家用電器) and received a college diploma (專科文憑) in July 1991. In January 2005, Mr. Wang graduated from China Central Radio and Television University* (中央廣播電視大學) majoring in finance. In October 1994, Mr. Wang was admitted as an assistant accountant by the Ministry of Finance. In November 1998, Mr. Wang obtained a qualification certificate in finance (intermediate level)* (專業資格證書金融專業(中級)) issued by the Ministry of Personnel of the PRC (中華人民共和國人事部, currently known as the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)). In September 2010, Mr. Wang received an associate financial planner certification (金融理財師) issued by Financial Planning Standards Board (國際金融理財標準委員會).

Mr. Wang has over 20 years of experience in banking and credit loan related matters. From May 1993 to August 2002, Mr. Wang worked successively as the chief accountant and financial manager at Deqing Sub-branch of Bank of China in Huzhou (中國銀行湖州德清支行). From August 2002 to January 2011, Mr. Wang worked as the deputy officer and officer, successively, at Huzhou branch of Bank of China (中國銀行湖州分行), a company whose shares are currently listed on the Shanghai Stock Exchange (Stock Code: 601988) and the Hong Kong Stock Exchange (Stock Code: 3988). Prior to joining the Company, Mr. Wang worked as the general manager at Huzhou Zhong Xing Guarantee Company Limited* (湖州中興擔保有限公司), a company primarily engaged in financing guarantee, where he had been responsible for daily operational management from February 2011 to June 2011 and as the deputy general manager of risk management department at Huzhou Zhong Xin Li He Guarantee Company Limited* (湖州中新力合擔保有限公司), a company primarily engaged in the provision of comprehensive financial services, where he had overseen the overall operation, from July 2011 to July 2014.

Mr. Yip Kui Wan (葉鉅雲), aged 62, was appointed as the company secretary of the Company on 29 May 2014.

Mr. Yip has extensive legal experience of about 37 years with several law firms in Hong Kong since 1978. Mr. Yip was admitted as a solicitor in England and Wales in December 1991. Mr. Yip was also admitted in February 1992 and is currently a practising solicitor of the High Court of Hong Kong. He is currently a partner of a law firm, namely ONC Lawyers. His areas of practice include corporate finance, mergers and acquisitions and property.

Biographies of Directors, Supervisors and Senior Management

Mr. Yip has been a Fellow Member of the Hong Kong Institute of Directors since July 2009. In June 2012, Mr. Yip was appointed by the China University of Political Science and Law (中國政法大學) as a researcher in its Judicial Theory and Judicial System Research Centre* (司法理念與司法制度研究中心).

In June 1990, Mr. Yip completed his Common Professional Examination in Bristol Polytechnic (now known as Bristol University) in England.

* for identification purposes only

Report of the Directors

The Directors are pleased to present the annual report together with the audited financial statements of the Company for the year ended 31 December 2014.

Principal Place of Business

The Company was incorporated in the PRC and is domiciled in Hong Kong and has its registered office in the PRC at No. 57-67, Dongsheng Road, Lan Se Gang Wan, Wukang Town, Deqing, Zhejiang, PRC and its principal place of business in Hong Kong at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong. The Company's principal place of business is in the PRC.

Principal Activities

We provide financing solutions to customers engaged in agricultural businesses, customers engaged in rural development activities, and/or customers residing in rural areas, or AFR (三農), and SMEs and microenterprises in various industries in order to meet their short-term financing needs.

Major Customers

During the year ended 31 December 2014, interest income from our five largest customers accounted for less than 30% of our net interest income for the year.

At no time during the year have the Directors, their close associates or any Shareholder (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Company's five largest customers.

Four-Year Financial Summary

A summary of the results and of the assets and liabilities of the Company for the latest four financial years is set out on page 6 of the annual report. This summary does not form part of the audited financial statements.

Financial Statements

The profit of the Company for the year ended 31 December 2014 and the state of the Company's and the Company's affairs as at that date are set out in the financial statements on pages 65 to 112 of the annual report.

A discussion and analysis of the Company's performance during the year and material factors underlying its results and financial position are set out in the Management Discussion and Analysis section of this annual report.

Fixed Assets

Details of movements in fixed assets of the Company during the year ended 31 December 2014 are set out in note 13 to the financial statements.

Reserves

Details of movements in reserves of the Company during the year are set out in the statement of changes in equity, of which details of reserves available for distribution to shareholders of the Company are set out in note 18 to the financial statements.

Dividend

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2014 (2013: RMB32.0 million). In view of the Company's financial performance and future continuous development, and that the Company was only listed in January 2015, the Board has decided to retain funds for daily operations.

Closure of Register of Members

In order to ascertain Shareholders' entitlement to attend and vote at the upcoming annual general meeting of the Company to be held on 30 June 2015 (the "AGM"), the H share register of members of the Company will be closed from 30 May 2015 to 30 June 2015 (both days inclusive), during which period no transfer of H Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 29 May 2015.

Charitable Donations

In 2014, the Company has launched "Stock Code Balloting for Charity Scheme" via Hong Kong Exchanges and Clearing Limited. A donation of HK\$1 million was made to the Community Chest of Hong Kong. The Company also donated RMB1,000 to help the poor and the elderly in the PRC in the year ended 31 December 2014.

Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company as at 31 December 2014 are set out in note 15 to the financial statements.

Report of the Directors

Share Capital

Details of movements in the share capital of the Company during the year are set out in the statement of changes in equity.

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

Pre-Emptive Rights

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

Purchase, Sale or Redemption of the Company's Listed Securities

The H Shares of the Company were listed on the Hong Kong Stock Exchange on 13 January 2015, subsequent to the end of the reporting period. Thus, the Company has not purchased, sold, redeemed or cancelled any of the Company's listed securities during the year.

Directors and Supervisors

The following table sets forth information concerning the Directors and Supervisors for the year ended 31 December 2014.

Name	Age	Position	Appointment Date
Directors			
Mr. Yu Yin	28	Executive Director and chairman of the Board	28 April 2014
Mr. Zheng Xuegen	50	Executive Director, vice chairman of the Board, deputy general manager and secretary to the Board	28 April 2014
Mr. Hu Haifeng	49	Executive Director and general manager	28 April 2014
Mr. Ding Maoguo	33	Executive Director and Chief Financial Officer	28 April 2014
Mr. Pan Zhongmin (formerly known as Pan Zhongming)	41	Non-executive Director	8 August 2014
Mr. Ho Yuk Ming, Hugo	43	Independent non-executive Director	28 April 2014
Mr. Jin Xuejun	56	Independent non-executive Director	28 April 2014
Ms. Huang Lianxi	52	Independent non-executive Director	28 April 2014
Supervisors			
Mr. Dai Shengqing	47	Supervisor	8 August 2014
Mr. Wang Peijun	41	Supervisor	8 August 2014
Ms. Shen Yamin	33	Supervisor	28 April 2014

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

Biographies of Directors, Supervisors and Senior Management

Biographical details of Directors, Supervisors and senior management of the Company are set out on pages 29 to 37 of this annual report.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company in December 2014. Each service contract is for an initial term of three years commencing from the Listing Date.

Save as disclosed above, the Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Remuneration of Directors and Supervisors

Details of the remuneration of the Directors and Supervisors are set out in note 7 to the financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2014.

Directors', Supervisors' and Chief Executives' Interests In Securities

As at the date of this directors' report, the interests or short positions of the Directors, Supervisors and the chief executive in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the SFO which will 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 is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, will be as follows:

(i) Interests of the Directors in the shares of our Company

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital ⁽¹⁾	Percentage in the total issued share capital ⁽¹⁾
Yu Yin	Domestic Shares	88,000,000 (L)	Beneficial owner ⁽²⁾	10.00%	7.46%
	Domestic Shares	307,061,040 (L)	Interests held jointly with another person ⁽²⁾	34.89%	26.02%
Zheng Xuegen	Domestic Shares	2,992,000 (L)	Beneficial owner	0.34%	0.25%
Hu Haifeng	Domestic Shares	10,630,400 (L)	Beneficial owner	1.21%	0.90%
Ding Maoguo	Domestic Shares	4,400,000 (L)	Beneficial owner	0.50%	0.37%
Pan Zhongmin	Domestic Shares	11,792,000 (L)	Interest of a controlled Corporation ⁽³⁾	1.34%	1.00%

Report of the Directors

(ii) Interests of the Supervisors in the shares of our Company

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital ⁽¹⁾	Percentage in the total issued share capital ⁽¹⁾
Shen Yamin	Domestic Shares	13,511,520	Beneficial owner	1.54%	1.15%

Notes:

- (1) The calculation is based on the total number of 1,180,000,000 ordinary shares of the Company in issue as at the date of this report, which is comprised of 880,000,000 Domestic Shares and 300,000,000 H Shares.
- (2) On 28 April 2014, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy entered into an Acting in Concert Agreement, pursuant to which they jointly and severally undertook that they would, by themselves, together with their associates or through the companies controlled by them, adopt a consensus building approach to reach decisions on a unanimous basis, and exercise their voting rights at the meetings of the Shareholders of the Company (and of its subsidiaries, if any in the future) based on such decisions. As such, Mr. Yu Youqiang (through Deqing Yintian, Zuoli Holdings and Puhua Energy), Mr. Yu Yin, Mr. Shen Haiying (by himself and through Dingsheng Investment and Zuoli Holdings), Mr. Zhang Jianming and Puhua Energy together control approximately 33.48% of the total issued share capital in the Company. As a result of the Acting in Concert Agreement and by virtue of the SFO, each of Puhua Energy, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying and Mr. Zhang Jianming are deemed to be interested in approximately 33.48% of the total issued share capital in the Company.
- (3) Mr. Pan Zhongmin holds 75.50% of the equity interest of Bangni Fiber, which in turn holds approximately 1.00% of the total issued share capital in the Company. By virtue of the SFO, Mr. Pan Zhongmin is deemed to be interested in approximately total 1.00% of the issued share capital in the Company.
- (4) The letter "L" denotes the person's long position in such securities.

Interests and Short Positions of Substantial Shareholders

As at the date of this directors' report, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital ⁽¹⁾	Percentage in the total issued share capital ⁽¹⁾
Mr. Yu Youqiang	Domestic Shares	395,061,040 (L)	Interest of a controlled corporation ^{(2) (3)}	44.89%	33.48%
Puhua Energy	Domestic Shares	264,000,000 (L)	Beneficial owner ⁽²⁾	30.00%	22.37%
	Domestic Shares	131,061,040 (L)	Interests held jointly with another person ⁽²⁾	14.89%	11.11%
Zuoli Holdings	Domestic Shares	395,061,040 (L)	Interest of a controlled corporation ^{(2) (4)}	44.89%	33.48%
Deqing Yintian	Domestic Shares	395,061,040 (L)	Interest of a controlled corporation ^{(2) (5)}	44.89%	33.48%
Mr. Yu Yin	Domestic Shares	88,000,000 (L)	Beneficial owner ⁽²⁾	10.00%	7.46%
	Domestic Shares	307,061,040 (L)	Interests held jointly with another person ⁽²⁾	34.89%	26.02%
Mr. Shen Haiying	Domestic Shares	23,760,000 (L)	Beneficial owner ⁽²⁾	2.70%	2.01%
	Domestic Shares	371,301,040 (L)	Interests held jointly with another person ⁽²⁾	42.19%	31.47%
Dingsheng Investment	Domestic Shares	395,061,040 (L)	Interests held jointly with another person ⁽²⁾	44.89%	33.48%
Mr. Zhang Jianming	Domestic Shares	19,301,040 (L)	Beneficial owner ⁽²⁾	2.19%	1.64%
	Domestic Shares	375,760,000 (L)	Interests held jointly with another person ⁽²⁾	42.70%	31.84%
Zhongrong International Trust Co., Ltd.	H Shares	76,920,000 (L)	Beneficial owner	25.64%	6.52%
Mr. Xu Zhenghui	H Shares	34,600,000 (L)	Beneficial owner	11.53%	2.93%
Ms. Qiu Xiaomei	H Shares	34,600,000 (L)	Interest of spouse ⁽⁶⁾	11.53%	2.93%

Report of the Directors

Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital ⁽¹⁾	Percentage in the total issued share capital ⁽¹⁾
Ms. Duan Min	H Shares	28,840,000 (L)	Beneficial owner	9.61%	2.44%
Mr. Han Jianmin	H Shares	28,840,000 (L)	Interest of spouse ⁽⁷⁾	9.61%	2.44%
Mr. Wei Feng	H Shares	28,840,000 (L)	Beneficial owner	9.61%	2.44%
Ms. Guo Na	H Shares	28,840,000 (L)	Interest of spouse ⁽⁸⁾	9.61%	2.44%
Mr. Li Tong	H Shares	15,380,000 (L)	Beneficial owner	5.13%	1.30%
Ms. Zhou Tong	H Shares	15,380,000 (L)	Interest of spouse ⁽⁹⁾	5.13%	1.30%

Notes:

- (1) The calculation is based on the total number of 1,180,000,000 ordinary shares of the Company in issue as at the date of this report, which is comprised of 880,000,000 Domestic Shares and 300,000,000 H Shares.
- (2) On 28 April 2014, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying, Mr. Zhang Jianming and Puhua Energy entered into an Acting in Concert Agreement, pursuant to which they jointly and severally undertook that they would, by themselves, together with their associates or through the companies controlled by them, adopt a consensus building approach to reach decisions on a unanimous basis, and exercise their voting rights at the meetings of the Shareholders of the Company (and of its subsidiaries, if any in the future) based on such decisions. As such, Mr. Yu Youqiang (through Deqing Yintian, Zuoli Holdings and Puhua Energy), Mr. Yu Yin, Mr. Shen Haiying (by himself and through Dingsheng Investment and Zuoli Holdings), Mr. Zhang Jianming and Puhua Energy together control approximately 33.48% of the issued share capital in the Company. As a result of the Acting in Concert Agreement and by virtue of the SFO, each of Puhua Energy, Mr. Yu Youqiang, Mr. Yu Yin, Mr. Shen Haiying and Mr. Zhang Jianming are deemed to be interested in approximately 33.48% of the issued share capital in the Company.
- (3) As Puhua Energy is indirectly controlled by Mr. Yu Youqiang, Mr. Yu Youqiang is deemed to be interested in the Shares held by Puhua Energy.
- (4) Puhua Energy is wholly owned by Zuoli Holdings. By virtue of the SFO, Zuoli Holdings is deemed to be interested in the Shares held by Puhua Energy.
- (5) Deqing Yintian is wholly owned by Mr. Yu Youqiang and holds approximately 32.04% of the equity interest in Zuoli Holdings. Zuoli Holdings is controlled by Deqing Yintian and therefore Deqing Yintian is deemed to be interested in the Shares held by Zuoli Holdings.
- (6) Ms. Qiu Xiaomei is the spouse of Mr. Xu Zhenghui. Under the SFO, Ms. Qiu Xiaomei is deemed to be interested in the same number of Shares in which Mr. Xu Zhenghui is interested.
- (7) Mr. Han Jianmin is the spouse of Ms. Duan Min. Under the SFO, Mr. Han Jianmin is deemed to be interested in the same number of Shares in which Ms. Duan Min is interested.
- (8) Ms. Guo Na is the spouse of Mr. Wei Feng. Under the SFO, Ms. Guo Na is deemed to be interested in the same number of Shares in which Mr. Wei Feng is interested.
- (9) Ms. Zhou Tong is the spouse of Mr. Li Tong. Under the SFO, Ms. Zhou Tong is deemed to be interested in the same number of Shares in which Mr. Li Tong is interested.
- (10) The letter "L" denotes the person's long position in such securities.

Save as disclosed above, as at the date of this directors' report, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Directors' and Supervisors' Interests In Contracts

No contract of significance to which the Company, or any of its holding company was a party, and in which a Director or Supervisor had a material interest, subsisted at the end of the year or at any time during the year.

Contracts of Significance

During the year, there had been no contract of significance between the Company and a controlling shareholder (as defined in the Listing Rules) of the Company.

Competing Business

None of the Directors and their associates had any interest in any competing business with the Company during the year.

Compliance with Non-Compete Undertaking

Each of Zuoli Holdings, Puhua Energy, Mr. Yu Yin, Mr. Yu Youqiang, Deqing Yintian, Mr. Shen Haiying, Dingsheng Investment and Mr. Zhang Jianming (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company from the Listing Date to the date of this report. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied by each of the controlling shareholders.

Arrangement for Directors and Supervisors to Purchase Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Supervisors or their respective spouses or minor children, or were such rights exercised by them, or was the Company or its holding company a party to any arrangements to enable the Directors or Supervisors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

Retirement Scheme

The Company participates in pension scheme organized by the municipal government of Huzhou City, Zhejiang for the Company's employees based in the PRC. Contributions to this retirement plan are set out in note 5 to the financial statements.

Report of the Directors

Compliance with the Corporate Governance Code

Since the Listing Date to the date of this report, the Company complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Significant Legal Proceedings

For the year ended 31 December 2014, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Events After the Reporting Period

Details of the significant events of the Company after the reporting period are set out in note 24 to the financial statements.

Connected Transaction

During the year ended 31 December 2014, there was no connected transaction of the Company that required for the reporting, annual reviews, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules.

Audit Committee

The audit committee of the Board has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial report matters including the review of the Company's annual results for the year ended 31 December 2014.

Auditor

The financial statements for the year ended 31 December 2014 have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the AGM.

By order of the Board

Yu Yin
Chairman

Hong Kong, 30 April 2015

Report of the Board of Supervisors

On 8 August 2014, the current session of the Board of Supervisors was established upon the approval of the inaugural meeting of the Company. The current session of the Board of Supervisors is comprised of three Supervisors, namely Mr. Dai Shengqing, Mr. Wang Peijun and Ms. Shen Yamin.

In the year ended 31 December 2014, for the Company's long term interests and Shareholders' interests, the board of Supervisors acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and the Listing Rules and earnestly performed their duties of supervision as to the acts of the Directors and senior management of the Company. The main area of work of the board of Supervisors in 2014 is summarised as follows:

I. Meeting Conducted by the Board of Supervisors

The board of Supervisors convened four meetings in the year ended 31 December 2014.

II. Work of the Board of Supervisors

The work of the first session of the Board of Supervisors mainly comprised of the followings:

1. Inspection over implementation of resolutions of the general meetings

The board of Supervisors exercised supervision and inspection of the implementation of the resolutions in general meetings by the Board and the senior management through observation and attendance at the board meetings and general meetings. The board of Supervisors is of the opinion that the Directors and senior management of the Company have diligently performed their duties in compliance with resolutions of the general meetings. No violation of any laws or regulations or Articles of Association or any act which jeopardises the interests of the Company or the Shareholders has been found in the performance of the Company's Directors and senior management.

2. Inspection over legal compliance of the Company's operations

The board of Supervisors exercised supervision on a regular basis over the legal compliance and rationality of the Company's operation and management in its ordinary work. It has also exercised supervision over work performance of the Board and senior management. The board of Supervisors is of the opinion that, the Company's operation is sound and rational, and is in compliance with all applicable laws, regulations and rules and the Articles of Association. The members of the Board and senior management of the Company have conscientiously and diligently performed their duties, and none of their act would prejudice the interests of the Company or the Shareholders.

3. Inspection over the Company's daily operating activities

The board of Supervisors exercised supervision over the Company's operating activities. The board of Supervisors is of the opinion that the Company has a sound internal control system and has made great progress in the formulation and implementation of its internal work procedures, thus effectively controlled its exposure to various operating risks. The Company's operation is in compliance with the PRC laws and regulations and the Articles of Association.

4. Inspection over the Company's financial condition

The board of Supervisors has verified the Company's 2014 financial statements, supervised and inspected the Company's implementation of relevant financial policies and legislations as well as details on the Company's assets, financial income and expenditure. It is of the opinion that the financial report for 2014 fairly reflected its financial position and operating results.

Looking forward, the board of Supervisors will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the Shareholders.

Shen Yamin

Chairman of the Board of Supervisors

Hong Kong, 30 April 2015

Corporate Governance Report

The Company is committed to maintain high standards of corporate governance and protect the interests of its Shareholders in an open manner.

The Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (“**CG Code**”) set out in Appendix 14 to the Listing Rules. As the H Shares were not yet listed on the Stock Exchange until 13 January 2015, the Code Provisions were not applicable to the Company in the period under review. Throughout the period since the Listing Date to the date of this annual report, the Company has fully complied with the Code Provisions.

Board of Directors

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the audit committee (the “**Audit Committee**”), the remuneration and appraisal committee (the “**Remuneration and Appraisal Committee**”), the nomination committee (the “**Nomination Committee**”) and the loan approval committee (the “**Loan Approval Committee**”) (each a “**Board Committee**” and collectively the “**Board Committees**”), to oversee different areas of the Company’s affairs.

The Board currently comprises four executive Directors, namely Mr. Yu Yin, Mr. Zheng Xuegen, Mr. Hu Haifeng and Mr. Ding Maoguo, one non-executive Director, namely, Mr. Pan Zhongmin, and three independent non-executive Directors, namely, Mr. Ho Yuk Ming, Hugo, Mr. Jin Xuejun and Ms. Huang Lianxi.

Their biographical details and (where applicable) their family relationships are set out in the section headed “Biographies of Directors, Supervisors and Senior Management” on pages 29 to 37 in the annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Company’s website.

There is no financial, business, family or other material/relevant relationships among members of the Board.

The Board sets the Company’s overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Company’s businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

All Board members have separate and independent access to the Company's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Company's expense upon their request. Since January 2015, all Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Company. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of the Company and that he/she is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

In August 2014, the Company, together with its legal advisers, organized training sessions to each of the Directors in relation to continuous responsibilities of Hong Kong listed company and its directors before and after listing. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

Corporate Governance Report

A summary of training received by the current Directors for the year ended 31 December 2014 is as follows:

Name of Directors	Types of training	
	Attending in-house training organized by professional organizations	Reading materials updating on new rules and regulations
<i>Executive Directors</i>		
Yu Yin	✓	✓
Zheng Xuegen	✓	✓
Hu Haifeng	✓	✓
Ding Maoguo	✓	✓
<i>Non-executive Director</i>		
Pan Zhongmin	✓	✓
<i>Independent Non-executive Directors</i>		
Ho Yuk Ming, Hugo	✓	✓
Jin Xuejun	✓	✓
Huang Lianxi	✓	✓

Chairman and Chief Executive

The position of the chairman of the Board is held by Mr. Yu Yin, who provides leadership and is responsible for the effective functioning and leadership of the Board. Mr. Hu Haifeng has been acting as the chief executive of the Company. He focuses on the Company's business development and daily management and general operations.

Independence of Independent Non-Executive Directors

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company. They serve actively on the Board and Board Committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

Board Committees

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee, Remuneration and Appraisal Committee and Loan Approval Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference of the Audit Committee, Nomination Committee and the Remuneration and Appraisal Committee are respectively available on the Company's website.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

(i) Audit Committee

The Audit Committee consists of three Directors: Mr. Ho Yuk Ming, Hugo (independent non-executive Director), Mr. Jin Xuejun (independent non-executive Director) and Ms. Huang Lianxi (independent non-executive Director). Mr. Ho Yuk Ming, Hugo, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems and relationship with external auditors of the Company, oversee the audit process and perform other duties and such responsibilities as assigned by the Board. These include reviewing the Company's interim and annual reports.

Pursuant to the meeting of the Audit Committee on 27 March 2015, the Audit Committee has reviewed the financial statements of the Company for the year ended 31 December 2014, including the accounting principles and practices adopted by the Company, report prepared by the external auditors covering major findings in the course of the audit, and selection and appointment of the external auditors. No meeting was held by the Audit Committee during the year ended 31 December 2014 because the Company was listed in January 2015.

(ii) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee comprises three Directors: Mr. Jin Xuejun (independent non-executive Director), Mr. Ho Yuk Ming, Hugo (independent non-executive Director) and Mr. Yu Yin (executive Director). Mr. Jin Xuejun is the chairman of the Remuneration and Appraisal Committee. The principal responsibilities of the Remuneration and Appraisal Committee are to review and make recommendations to the Board on the overall remuneration structure and policy for all Directors and senior management as well as the specific remuneration packages for the executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Company's performance are taken into account.

Pursuant to the first meeting of the Remuneration and Appraisal Committee on 27 March 2015, the Remuneration and Appraisal Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. No meeting was held by the Remuneration and Appraisal Committee during the year ended 31 December 2014 because the Company was listed in January 2015.

(iii) Nomination Committee

The Nomination Committee comprises three Directors: Mr. Yu Yin (executive Director), Ms. Huang Lianxi (independent non-executive Director) and Mr. Jin Xuejun (independent non-executive Director). Ms. Huang Lianxi is the chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity, at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for the implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

Pursuant to the first meeting of the Nomination Committee on 27 March 2015, the Nomination Committee has reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors. No meeting was held by the Nomination Committee during the year ended 31 December 2014 because the Company was listed in January 2015.

(iv) Loan Approval Committee

The Loan Approval Committee comprises five directors and senior management: Mr. Zheng Xuegen (executive Director), Mr. Hu Haifeng (executive Director), Mr. Ding Maoguo (executive Director), Mr. Huang Chenjiang (manager of our Risk Management Department) and Ms. Xia Jing (deputy general manager and manager of our Business and Marketing Department). Mr. Hu Haifeng is the chairman of the Loan Approval Committee. A meeting of the Loan Approval Committee was held on 27 March 2015. Mr. Zheng Xuegen, as a member of the Loan Approval Committee would be replaced by Mr. Wang Hui (deputy general manager).

The primary function of the Loan Approval Committee is to determine the risk profile and creditworthiness of the potential customer and whether to advance the loan if the amount of loan exceeds RMB1 million.

Corporate Governance Functions

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors

The attendance record of each of the current Directors at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2014 is set out in the table below. The Directors did not authorize any alternate Director to attend Board or Board Committee meetings.

Name of Directors	Attendance/Number of Meetings						
	Board	Nomination Committee (Note 1)	Remuneration and Appraisal Committee (Note 1)	Audit Committee (Note 1)	Loan Approval Committee	First General Meeting	Extraordinary General Meetings
Yu Yin	13/13	N/A	N/A	N/A	N/A	1/1	8/8
Zheng Xuegen	13/13	N/A	N/A	N/A	121/124	1/1	8/8
Hu Haifeng	13/13	N/A	N/A	N/A	124/124	1/1	8/8
Ding Maoguo	13/13	N/A	N/A	N/A	124/124	1/1	8/8
Pan Zhongmin (Note 2)	8/8	N/A	N/A	N/A	N/A	N/A	6/6
Ho Yuk Ming, Hugo	13/13	N/A	N/A	N/A	N/A	1/1	8/8
Jin Xuejun	13/13	N/A	N/A	N/A	N/A	1/1	8/8
Huang Lianxi	13/13	N/A	N/A	N/A	N/A	1/1	8/8

Notes:

- The H Shares of the Company were listed on the Hong Kong Stock Exchange on 13 January 2015 and there were no meetings convened by the Nomination Committee, the Remuneration Committee and Appraisal and the Audit Committee during the year ended 31 December 2014.
- Pan Zhongmin was appointed as our non-executive Director on 8 August 2014. He has been invited to attend the relevant Board and Board Committee meetings and the general meeting of the Company upon his appointment.

Board Proceedings

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, to be convened and hosted by the chairman of the Board. A notice of at least fourteen days shall be dispatched for a regular Board meeting. The notice shall state the time and venue by which the Board meeting will be convened.

The quorum for a Board meeting is the presence of more than half of the total number of Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

During the year ended 31 December 2014, there were thirteen Board meetings held and all Directors attended the meetings that they were required to attend.

General Meetings

During the year ended 31 December 2014, the Company convened the first general meeting and eight extraordinary general meetings of the Company held on 27 April 2014, 19 May 2014, 8 August 2014, 31 August 2014, 18 October 2014, 4 November 2014, 21 November 2014 and 18 December 2014, respectively. All Directors attended the meetings that they were required to attend.

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") in March 2015 in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

Board of Supervisors

The Board of Supervisors consists of three members. The employee representative supervisor, namely Ms. Shen Yamin, was elected by employees, and the other two supervisors, namely Dai Shengqing and Wang Peijun, were elected by the Shareholders. Each of the supervisors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date. The functions and duties of the board of supervisors include, but are not limited to: reviewing and verifying financial reports; and, if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the business activities of the Company; supervising the performance of the Directors, the chairman of the Board and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the chairman of the Board and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association.

Model Code for Securities Transactions

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' and supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this report.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

Company Secretary

The Company has engaged in a service contract with an external service provider, Mr. Yip Kui Wan, who was appointed as the company secretary of the Company ("Mr. Yip"). Mr. Yu Yin, the chairman and executive Director of the Company, is the primary corporate contact person of the Company with Mr. Yip.

Being the Company Secretary, Mr. Yip plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Mr. Yip is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors.

During the financial year, Mr. Yip has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Mr. Yip is set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in the annual report.

Financial Reporting and Internal Control

Financial reporting

The Board acknowledges its responsibility to prepare the Company's financial statements which give a true and fair view of the Company's state of affairs, results and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Company has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of KPMG, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal controls

The Board recognizes its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Company during the year. The Company's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks, review of the Company's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Company's internal control systems are reasonably implemented.

External Auditor

KPMG has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by KPMG and considered that such services have no adverse effect on the independence of the external auditor.

In 2014, the fees payable to KPMG in respect of its annual audit services provided to the Company was RMB0.8 million. The total fees paid and payable to KPMG for the reporting accountant service in relation to the listing of the Company on the Main Board of the Stock Exchange and certain agreed-upon procedures in connection with the internal controls of the Company was approximately RMB4.31 million and RMB0.55 million, respectively.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

Communication with Shareholders and Shareholders' Rights

The Company aims to, via its corporate governance structure, enable all Shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company. Under the Company's Articles of Association, the shareholder communication policy and other relevant internal procedures of the Company, the Shareholders enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the Shareholders no less than 45 days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong or via email retainer.zuoli@onc.hk.

(iii) Convening extraordinary general meetings

Pursuant to the Articles of Association, the Board shall convene an extraordinary general meeting within two months where the Shareholders with 10% or more voting right individually or jointly request to convene an extraordinary general meeting in writing. Two or more than two shareholders in aggregate holding no less than 10% of shares carrying voting right may request the Board to convene an extraordinary general meeting or class Shareholders' meeting through a written request or several copies of such request in the same form and to illustrate the subject of the meeting. The Board shall convene an extraordinary general meeting or class Shareholders' meeting as soon as practicably upon receipt of the foresaid written request. The aforesaid number of Share holdings shall be calculated as of the date of the submission of the written request by the Shareholder(s). A Shareholder's general meeting shall be convened in accordance with the Articles of Association.

All reasonable expenses incurred by convening and holding the aforesaid meeting by Shareholders due to the failure of the Board to hold such meeting in response to the aforesaid request(s) shall be borne by the Company. Such expenses shall be deducted from the amounts due by the Company to the Director(s) who have defaulted their duties.

(iv) Procedures for putting forward proposals at a general meeting

In overseeing and monitoring the business operation of the Company, the Shareholders have the right to put forward proposals and raise inquiries. Shareholders holding 3% or more of the Company's voting shares have the right to put up ad hoc proposals in writing to the Company, and the Company shall include such ad hoc proposals into the agenda for such general meeting if they are matters falling within the functions and powers of general meeting.

Constitutional Documents

Pursuant to resolutions of the Shareholders passed on 19 May 2014, 8 August 2014, 18 October 2014, 4 November 2014, 21 November 2014 and 18 December 2014, the Articles of Association were adopted with effect from the Listing Date. As at the date of this annual report, no change has been made to the Articles of Association after the Listing Date.

The Board of Directors proposes to seek approval from the Shareholders to pass a special resolution at the AGM to make certain amendments to the Articles of Association to bring them in line with the proposed conversion of the Company into a company limited by shares with foreign investment (if the conversion is approved by the Shareholders at the AGM).

A circular containing, among others, details of the proposed amendments to the Articles of Association and a notice of the AGM will be dispatched to the Shareholders on or before 15 May 2015.

The Articles of Association are available on the websites of the Stock Exchange and the Company.



**Independent auditor's report to the Shareholders of
Zuoli Kechuang Micro-finance Company Limited
(formerly known as Deqing Zuoli Kechuang Micro-finance Company Limited)**
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the accompanying financial statements of Zuoli Kechuang Micro-finance Company Limited. (the "Company") set out on pages 65 to 112, which comprise the statement of financial position of the Company as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these 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 (the "HKICPA") and the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of 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 financial statements based on our audit. This report is made solely to you, as a body, in accordance with our terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the 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 financial statements.

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



Independent Auditor's Report

Opinion

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

27 March 2015

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in Renminbi ("RMB"))



	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Interest income		160,237	90,789
Interest and commission expenses		(11,464)	(12,335)
Net interest income	2	148,773	78,454
Other revenue	3	19,985	5,626
Impairment losses	4	(21,754)	(2,450)
Administrative expenses		(22,429)	(12,660)
Profit before taxation	5	124,575	68,970
Income tax	6	(31,176)	(17,354)
Profit and total comprehensive income for the year		93,399	51,616
Earnings per share			
Basic and diluted (RMB)	9	0.12	0.14

The accompanying notes form part of the financial statements.



Statement of Financial Position

At 31 December 2014
(Expressed in RMB)

	Note	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Assets			
Cash and cash equivalents	10	24,488	81,100
Trading financial assets	11	—	150,000
Interest receivables		9,795	8,622
Loans and advances to customers	12	1,109,394	517,238
Fixed assets	13	1,636	1,630
Deferred tax assets	17(b)	15,182	6,131
Other assets	14	16,922	12,027
Total assets		1,177,417	776,748
Liabilities			
Interest-bearing borrowings	15	175,000	171,000
Accruals and other payables	16	21,798	6,426
Current tax liabilities	17(a)	9,740	9,842
Total liabilities		206,538	187,268
NET ASSETS		970,879	589,480
CAPITAL AND RESERVES			
Share/paid-in capital	18	880,000	510,000
Reserves		90,879	79,480
TOTAL EQUITY		970,879	589,480

Approved and authorised for issue by the board of directors on 27 March 2015.

Yu Yin
Chairman of the Board

Hu Haifeng
Executive Director

Ding Maoguo
Chief Financial Officer

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2014

(Expressed in RMB)



	Paid-in/ share capital RMB'000 Note 18(c)	Capital/share reserve RMB'000 Note 18(d)(i)	Surplus reserve RMB'000 Note 18(d)(ii)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2013	320,000	2,892	2,657	23,915	349,464
Changes in equity for 2013:					
Profit and total comprehensive income for the year	—	—	—	51,616	51,616
Capital injection (Note 18(c))	190,000	30,400	—	—	220,400
Appropriation to surplus reserve	—	—	5,162	(5,162)	—
Dividends to equity holders (Note 18(b))	—	—	—	(32,000)	(32,000)
Balance at 31 December 2013	510,000	33,292	7,819	38,369	589,480
Balance at 1 January 2014	510,000	33,292	7,819	38,369	589,480
Changes in equity for 2014:					
Profit and total comprehensive income for the year	—	—	—	93,399	93,399
Capital injection (Note 18(c))	240,000	48,000	—	—	288,000
Appropriation to surplus reserve	—	—	7,858	(7,858)	—
Conversion into joint stock limited liability company	130,000	(68,989)	(7,819)	(53,192)	—
Balance at 31 December 2014	880,000	12,303	7,858	70,718	970,879

The accompanying notes form part of the financial statements.



Cash Flow Statement

For the year ended 31 December 2014
(Expressed in RMB)

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Operating activities			
Cash used in operations	10(b)	(433,805)	(2,250)
PRC income tax paid		(40,329)	(17,559)
Net cash used in operating activities		(474,134)	(19,809)
Investing activities			
Proceeds from disposal of investments		670,634	1,913,578
Payments for purchase of fixed assets		(701)	(30)
Payments on acquisition of investments		(520,470)	(2,062,610)
Net cash generated from/(used in) investing activities		149,463	(149,062)
Financing activities			
Proceeds from capital injection		288,000	220,400
Proceeds from new borrowings		245,000	211,000
Repayment of borrowings		(241,000)	(160,000)
Interest paid		(8,311)	(11,885)
Dividends paid		(2,844)	(29,156)
Cash paid for other financing activities		(12,786)	—
Net cash generated from financing activities		268,059	230,359
Net (decrease)/increase in cash and cash equivalents		(56,612)	61,488
Cash and cash equivalents at 1 January		81,100	19,612
Cash and cash equivalents at 31 December	10(a)	24,488	81,100

The accompanying notes form part of the financial statements.



1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs. For the purpose of preparing these financial statements, the Company has adopted all applicable new and revised HKFRSs to the year ended 31 December 2014, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2014. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2014 are set out in Note 23.

(b) Basis of measurement

The financial statements are presented in RMB, rounded to the nearest thousand. It is prepared on the historical cost basis except for trading financial assets (see Note 1(f)) that are stated at their fair value.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 22.





Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

1 Significant accounting policies (Continued)

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see Note 1(ii)).

The cost of self-constructed items of fixed assets includes the cost of materials, direct labour and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Office and other equipment	5 years
Motor vehicles	5 years
Electronic equipment	5 years
Leasehold improvement	5 years

Where parts of an item of fixed assets have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Company

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases.

(ii) Operating lease charges

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.



1 Significant accounting policies (Continued)

(f) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value, plus, for instruments not classified as at fair value through profit or loss, any directly attributable transaction costs.

Financial assets and financial liabilities are categorized as follows:

— **Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)**

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- (a) the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; or
- (b) the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognized in profit or loss.





1 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

(i) Recognition and measurement of financial assets and liabilities (Continued)

— Loans and receivables

Loans and receivables are non-derivative financial assets held by the Company with fixed or determinable recoverable amounts that are not quoted in an active market, other than

- (a) those that the Company intends to sell immediately or in the near-term, which will be classified as held for trading;
- (b) those that the Company, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or
- (c) those where the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Subsequent to initial recognition, loans and receivables are stated at amortized cost using the effective interest method.

— Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(ii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Company at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;



1 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

(ii) Impairment of financial assets (Continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

Loans and receivables

The Company uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

- Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The impairment losses are recognized in profit or loss.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralized loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.





1 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

(ii) Impairment of financial assets (Continued)

Loans and receivables (Continued)

— Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

The Company periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provisions for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

When the Company determines that a loan has no reasonable prospect of recovery after the Company has completed all the necessary legal or other claim proceedings, the loan is written off against its provisions for impairment losses upon necessary approval.

(iii) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Company considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Company obtains market data from the same market where the financial instrument was originated or purchased.



1 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Company transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Company continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Company and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognized in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Company. Considerations received from issuance of equity instruments net of transaction costs are recognized in equity. Considerations and transaction costs paid by the Company for repurchasing its own equity instruments are deducted from equity.

(g) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.



1 Significant accounting policies (Continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that fixed assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.



1 Significant accounting policies (Continued)

(j) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plan

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, the Company has joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Company makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis.

(k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.





1 Significant accounting policies (Continued)

(k) Income tax (Continued)

The amount of deferred tax recognized is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(l) Provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



1 Significant accounting policies (Continued)

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Interest income

Interest income is recognized as it accrues using the effective interest method.

(ii) Government grants

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(n) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(o) Related parties

- (a) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.





1 Significant accounting policies (Continued)

(o) Related parties (Continued)

- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(p) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



2 Net interest income

The principal activity of the Company is the provision of loans to customers in Deqing, County, Zhejiang Province, the PRC. The amount of each significant category of revenue recognized is as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Interest income arising from		
Loans and advances to customers	159,954	90,697
Cash at banks	283	92
	160,237	90,789
Interest and commission expenses arising from		
Borrowings from banks	(11,320)	(12,174)
Borrowings from non-bank institutions	(99)	(125)
Bank charges	(45)	(36)
	(11,464)	(12,335)
Net interest income	148,773	78,454

The Company's customer base is diversified and no customer with whom transactions have exceeded 10% of the Company's net interest income during the years ended 31 December 2014 and 2013. Details of concentration of credit risk are set out in Note 19(a).

For the years ended 31 December 2014 and 2013, the directors have determined that the Company has only one single business component/reportable segment as the Company is principally engaged in providing lending services which is the basis to allocate resources and assess performance of the Company.

The principal place of the Company's operation is in Deqing County, Huzhou City, Zhejiang Province in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Company regarded Deqing County as its place of domicile. All the Company's revenue and assets are principally attributable to Deqing County, being the sole geographical region.



Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

3 Other revenue

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Government grants	19,821	4,658
Investment income from trading financial assets	164	968
Total	19,985	5,626

4 Impairment losses

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Loans and advances to customers (Note 12)	21,754	2,450

5 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff costs

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Salaries, bonuses and allowance	2,779	1,581
Contribution to retirement scheme	190	72
Social insurance and other benefits	621	422
Total	3,590	2,075

The Company is required to participate in the pension scheme organized by the municipal government of Huzhou City, Zhejiang Province whereby the Company is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Company has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.



5 Profit before taxation (Continued)

(b) Other items

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Depreciation expenses (Note 13)	695	591
Operating lease charges in respect of building	515	550
Auditors' remuneration	1,020	90

6 Income tax in the statement of profit or loss and other comprehensive income

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

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Current tax (Note 17(a))		
Provision for PRC income tax for the year	40,227	17,936
Deferred tax (Note 17(b))		
Origination and reversal of temporary differences	(9,051)	(582)
Total	31,176	17,354

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit before taxation	124,575	68,970
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned (Note)	31,144	17,242
Effect of non-deductible expenses	32	112
Actual income tax expense	31,176	17,354

Note: The Company is subject to PRC income tax at the statutory tax rate of 25%.



Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

7 Directors' and supervisors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December 2014			
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Chairman				
Yu Yin (俞寅)	6	212	54	272
Executive directors				
Zheng Xuegen (鄭學根)	6	120	54	180
Hu Haifeng (胡海峰)	6	175	54	235
Ding Maoguo (丁茂國) <i>(Appointed on 28 April 2014)</i>	5	100	39	144
Chu Nongying (褚農穎) <i>(Resigned on 18 February 2014)</i>	1	—	—	1
Non-executive directors				
Pan Zhongmin (潘忠敏) <i>(Appointed on 8 August 2014)</i>	3	—	—	3
Chu Nongying (褚農穎) <i>(Appointed on 19 February 2014 and resigned on 27 April 2014)</i>	1	—	—	1
Zhang Jianming (張建明) <i>(Resigned on 27 April 2014)</i>	2	—	—	2
Qiu Weiguo (邱偉國) <i>(Resigned on 27 April 2014)</i>	2	—	—	2
Tang Hairong (唐海榮) <i>(Resigned on 27 April 2014)</i>	2	—	—	2
Yu Chao (俞超) <i>(Resigned on 27 April 2014)</i>	2	—	—	2
Shen Detang (沈德堂) <i>(Resigned on 27 April 2014)</i>	2	—	—	2



7 Directors' and supervisors' remuneration (Continued)

	Year ended 31 December 2014			
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Independent non-executive directors				
Ho Yuk Ming (何育明) <i>(Appointed on 28 April 2014)</i>	72	—	—	72
Jin Xuejun (金雪軍) <i>(Appointed on 28 April 2014)</i>	75	—	—	75
Huang Lianxi (黃廉熙) <i>(Appointed on 28 April 2014)</i>	75	—	—	75
Supervisors				
Dai Shengqing (戴勝慶) <i>(Appointed on 8 August 2014)</i>	2	—	—	2
Wang Peijun (王培軍) <i>(Appointed on 8 August 2014)</i>	2	—	—	2
Shen Yamin (沈姪敏)	6	65	26	97
Xia Jing (夏靜) <i>(Resigned on 27 April 2014)</i>	2	33	18	53
Fan Haimin (范海民) <i>(Resigned on 27 April 2014)</i>	2	—	—	2
Tang Hairong (唐海榮) <i>(Appointed on 28 April 2014 and resigned on 7 August 2014)</i>	2	—	—	2
Yu Chao (俞超) <i>(Appointed on 28 April 2014 and resigned on 7 August 2014)</i>	2	—	—	2
	278	705	245	1,228



Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

7 Directors' and supervisors' remuneration (Continued)

	Year ended 31 December 2013			
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Chairman				
Yu Yin (俞寅)	6	332	100	438
Executive directors				
Zheng Xuegen (鄭學根)	6	—	—	6
Hu Haifeng (胡海峰)	6	106	100	212
Chu Nongying (褚農穎)	6	36	—	42
Non-executive directors				
Zhang Jianming (張建明)	6	—	—	6
Qiu Weiguo (邱偉國)	66	—	—	66
Tang Hairong (唐海榮)	6	—	—	6
Yu Chao (俞超)	6	—	—	6
Shen Detang (沈德堂)	6	—	—	6
Supervisors				
Xia Jing (夏靜)	6	99	60	165
Shen Yamin (沈婭敏)	6	50	—	56
Fan Haimin (范海民)	6	—	—	6
	132	623	260	1,015

There were no amounts paid during the years ended 31 December 2014 and 2013 to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.



8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three are directors or supervisor of the Company for the year ended 31 December 2013 and all five are directors or supervisor of the Company for the year ended 31 December 2014, whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other two individuals for the year ended 31 December 2013 are as follows:

	Year ended 31 December 2013
	RMB'000
Salaries, allowance and benefits in kind	173
Discretionary bonuses	20
Total	193

The emoluments of the two individuals for the year ended 31 December 2013 with the highest emoluments fell within band from HKD nil up to HKD1,000,000.

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2014 and 2013.

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average of ordinary shares in issue during the year as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit attributable to the equity shareholders of the Company (RMB'000)	93,399	51,616
Weighted average number of ordinary shares in issue ('000)	811,335	376,688
Basic earnings per share (RMB)	0.12	0.14



Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

9 Earnings per share (Continued)

(i) Weighted average number of ordinary shares

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Issued ordinary shares at 1 January 2013/2014	510,000	320,000
Effect of capital injection	181,479	1,041
Effect of capitalisation issue (Note 18(c))	119,856	55,647
Weighted average number of ordinary shares at 31 December	811,335	376,688

There were no dilutive potential ordinary shares during the years ended 31 December 2014 and 2013, and therefore, diluted earnings per share are the same as the basic earnings per share.

10 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Cash in hand	—	17
Cash at banks	24,488	81,083
Cash and cash equivalents in the cash flow statement	24,488	81,100

The Company's operation of micro-loan business in the PRC is conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.



10 Cash and cash equivalents (Continued)

(b) Reconciliation of profit before taxation to cash used in operating activities:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit before taxation	124,575	68,970
Adjustment for:		
Impairment losses	21,754	2,450
Depreciation and amortisation	695	591
Interest expenses	11,419	12,299
Investment income	(164)	(968)
Changes in working capital:		
Increase in loans and advances to customers	(613,910)	(71,625)
Decrease/(increase) in interest receivables and other assets	3,802	(14,583)
Increase/(decrease) in accruals and other payables	18,024	616
Cash used in operations	(433,805)	(2,250)

11 Trading financial assets

Trading financial assets at 31 December 2013 were wealth management products issued by a bank in the PRC, which are unlisted securities.





Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

12 Loans and advances to customers

(a) Analysed by nature

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Enterprise loans	699,580	305,410
Retail loans	455,645	235,905
Gross loans and advances to customers	1,155,225	541,315
Less: Allowances for impairment losses		
— Collectively assessed	(40,380)	(18,696)
— Individually assessed	(5,451)	(5,381)
Total allowances for impairment losses	(45,831)	(24,077)
Net loans and advances to customers	1,109,394	517,238

(b) Analysed by type of collateral

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Unsecured loans	450	41,750
Guaranteed loans (Note)	1,098,330	418,460
Collateralized loans	55,445	78,705
Pledged loans	1,000	2,400
Gross loans and advances to customers	1,155,225	541,315
Less: Allowances for impairment losses		
— Collectively assessed	(40,380)	(18,696)
— Individually assessed	(5,451)	(5,381)
Total allowances for impairment losses	(45,831)	(24,077)
Net loans and advances to customers	1,109,394	517,238

Note: Certain loans and advances to customers are guaranteed by the Company's related parties [See Note 21(b), (c)].



12 Loans and advances to customers (Continued)

(c) Analysed by industry sector

	At 31 December 2014		At 31 December 2013	
	RMB'000	%	RMB'000	%
Agriculture, forestry, animal husbandry and fishery	195,350	17%	181,200	33%
Construction	187,000	16%	28,500	5%
Wholesale and retail	173,350	15%	37,530	7%
Manufacturing	77,030	7%	42,180	8%
Others	66,850	6%	16,000	3%
Enterprise loans	699,580	61%	305,410	56%
Retail loans	455,645	39%	235,905	44%
Gross loans and advances to customers	1,155,225	100.00%	541,315	100%
Less: Allowances for impairment losses	(45,831)		(24,077)	
Net loans and advances to customers	1,109,394		517,238	

(d) Overdue loans analysed by type of collateral and overdue period

	At 31 December 2014				Total RMB'000
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	
Collateralized loans	70	—	—	475	545

	At 31 December 2013				Total RMB'000
	Overdue within 3 months (inclusive) RMB'000	Overdue more than 3 months to 6 months (inclusive) RMB'000	Overdue more than 6 months to one year (inclusive) RMB'000	Overdue more than one year RMB'000	
Collateralized loans	—	600	175	—	775



Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

12 Loans and advances to customers (Continued)

(d) Overdue loans analysed by type of collateral and overdue period (Continued)

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for one day or more. All amounts are shown as gross amount of overdue loans and advances to customers before any allowances for impairment losses.

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

	At 31 December 2014		
	Loans and advances for which allowances are collectively assessed RMB'000	Loans and advances for which allowances are individually assessed RMB'000	Total RMB'000
Gross loans and advances to customers	1,140,260	14,965	1,155,225
Less: Allowances for impairment losses	(40,380)	(5,451)	(45,831)
Net loans and advances to customers	1,099,880	9,514	1,109,394

	At 31 December 2013		
	Loans and advances for which allowances are collectively assessed RMB'000	Loans and advances for which allowances are individually assessed RMB'000	Total RMB'000
Gross loans and advances to customers	526,240	15,075	541,315
Less: Allowances for impairment losses	(18,696)	(5,381)	(24,077)
Net loans and advances to customers	507,544	9,694	517,238



12 Loans and advances to customers (Continued)

(f) Movements of allowances for impairment losses

	Year ended 31 December 2014		
	Provision for impairment losses which is collectively assessed RMB'000	Provision for impairment losses which is individually assessed RMB'000	Total RMB'000
At 1 January	18,696	5,381	24,077
Charge for the year	21,684	5,092	26,776
Reversal for the year	—	(5,022)	(5,022)
At 31 December	40,380	5,451	45,831

	Year ended 31 December 2013		
	Provision for impairment losses which is collectively assessed RMB'000	Provision for impairment losses which is individually assessed RMB'000	Total RMB'000
At 1 January	13,181	8,446	21,627
Charge for the year	5,515	5,206	10,721
Reversal for the year	—	(8,271)	(8,271)
At 31 December	18,696	5,381	24,077





Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

12 Loans and advances to customers (Continued)

(g) Analysed by credit quality

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Gross balance of loans and advances to customers		
Neither overdue nor impaired	1,140,260	526,240
Impaired	14,965	15,075
	1,155,225	541,315
Less: Allowances for impairment losses		
Neither overdue nor impaired	(40,380)	(18,696)
Impaired	(5,451)	(5,381)
	(45,831)	(24,077)
Net balance		
Neither overdue nor impaired	1,099,880	507,544
Impaired	9,514	9,694
	1,109,394	517,238



13 Fixed assets

	Office and other equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost:					
At 1 January 2013	570	562	256	1,545	2,933
Additions	—	—	30	—	30
At 31 December 2013 and 1 January 2014	570	562	286	1,545	2,963
Additions	18	623	60	—	701
At 31 December 2014	588	1,185	346	1,545	3,664
Accumulated depreciation:					
At 1 January 2013	(129)	(112)	(63)	(438)	(742)
Charge for the year	(114)	(113)	(55)	(309)	(591)
At 31 December 2013 and 1 January 2014	(243)	(225)	(118)	(747)	(1,333)
Charge for the year	(117)	(206)	(63)	(309)	(695)
At 31 December 2014	(360)	(431)	(181)	(1,056)	(2,028)
Net book value:					
At 31 December 2014	228	754	165	489	1,636
At 31 December 2013	327	337	168	798	1,630



Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

14 Other assets

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
IPO service fees	16,237	—
Deferred expenses	—	2,986
Other receivables	—	9,000
Others	685	41
	16,922	12,027

Except for the IPO costs which will be debited to equity upon the issuance of H shares, all of the other assets were expected to be recovered or recognized as expense within one year.

15 Interest-bearing borrowings

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans (Note (i))		
— Guaranteed by related parties	175,000	160,000
Other loans (Note (ii))		
— Unsecured	—	11,000
	175,000	171,000

Notes:

- (i) All of the Company's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants, the loans would become payable on demand. The Company regularly monitors its compliance with these covenants. Further details of the Company's management of liquidity risk are set out in Note 19(b). At 31 December 2014 and 31 December 2013, none of the covenants relating to the bank loans had been breached.
- (ii) Other loans bear interest at a range from 7.28% to 10.00% per annum and are unsecured.



16 Accruals and other payables

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Conditional government grants (Note)	13,000	—
IPO service fees payable	4,475	—
Business tax and surcharges and other taxation payable	1,286	3,978
Accrued staff cost	1,147	463
Interest payable	532	340
Other payables	1,358	1,645
	21,798	6,426

Note: The Company received conditional government grants of RMB13.0 million from Deqing County in 2014, which is conditional on the Company's successful listing of its H Shares on the Main Board of The Stock Exchange of Hong Kong Limited by 2016 and certain requirement of tax payment in 2015 according to a special meeting minute by Deqing County Government.

17 Income tax in the statement of financial position

(a) Movements in current taxation in the statement of financial position are as follows:

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Balance of income tax payable at the beginning of the year	9,842	9,465
Provision for PRC income tax for the year (Note 6(a))	40,227	17,936
Income tax paid during the year	(40,329)	(17,559)
Balance of income tax payable at the end of the year	9,740	9,842



Notes to the Financial Statements

(Expressed in RMB'000, unless otherwise stated)

17 Income tax in the statement of financial position (Continued)

(b) Deferred tax assets recognized:

The components of deferred tax assets recognized in the statement of financial position and the movements during the years ended 31 December 2014 and 2013 are as follows:

Deferred tax assets arising from:	Provision for impairment losses RMB'000	Accrued expenses RMB'000	Conditional government grants RMB'000	Total RMB'000
At 1 January 2013	5,407	142	—	5,549
Credited/(charged) to profit or loss	612	(30)	—	582
At 31 December 2013 and 1 January 2014	6,019	112	—	6,131
Credited to profit or loss (Note 4)	5,439	362	3,250	9,051
At 31 December 2014	11,458	474	3,250	15,182

18 Capital, reserves and dividends

(a) Movement in components of equity

The reconciliation between the opening and closing of each component of the Company's equity is set out in the statement of changes in equity.

(b) Dividends

The Company declared cash dividends of RMB 32.0 million during the year ended 31 December 2013, which were attributable to the years of and before 2013.

(c) Paid-in/share capital

The capital injections from equity holders of the Company are RMB190.0 million and RMB240.0 million on 30 December 2013 and 31 March 2014, respectively. Pursuant to a conversion completed on 28 April 2014, the Company was converted into a joint stock limited liability company from a limited liability company. As at 31 December 2014, the share capital represented 880,000,000 ordinary shares of the Company at RMB1 each, which were allotted and issued at par.



18 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves

(i) Capital reserve — Capital/share premium

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

(ii) Surplus reserve

The surplus reserve represents statutory surplus reserve fund. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, discretionary surplus reserves may be used to offset previous years' losses, if any, and may be converted into capital.

(iii) General risk reserve

Pursuant to relevant regulations, the Company is required to set aside a general reserve through appropriations of profit after tax according to 1.5% of the ending balance of gross risk-bearing assets to cover potential losses against these assets before 30 June 2017. As at 31 December 2014, the Company has not set aside any general reserve. The directors of the Company decided to set aside a general risk reserve in compliance with the relevant regulations in the period from 1 January 2015 to 30 June 2017.





18 Capital, reserves and dividends (Continued)

(e) Distributable reserves

At 31 December 2013 and 31 December 2014, the aggregate amounts of reserves available for distribution to equity owners/shareholders of the Company, as calculated under the provisions of Company Law of the PRC, were RMB38.4 million and RMB70.7 million respectively.

(f) Capital management

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

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holders/shareholders returns that might be possible with higher levels of borrowings and the advantages and stability resulted from a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Company's approach to capital management during the years ended 31 December 2014 and 2013.

Particularly for credit loan business, the Company monitors regularly the residual balance of outstanding credit loans for single customers and multiples of the total outstanding credit loans in relation to paid-in/share capital of the Company, so as to keep the capital risk within an acceptable limit. The decision to manage the paid-in/share capital of the Company to meet the needs of developing credit loans business rests with the directors.



19 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity and interest risks arises in the normal course of the Company's business. The Company's exposure to these risks and the financial risk management policies and practice used by the Company to manage these risks are described below.

(a) Credit risk

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations or commitment to the Company provided. It arises primarily from the Company's micro-finance business and treasury business such as investment in wealth management products.

Credit risk arising from micro-finance business

The Company's credit risk mainly arises from micro-finance business. The Company has established relevant mechanism to cover credit risk in key operational phases of micro-finance business, including pre-lending evaluations, credit approval, and post-lending monitoring. The Company conducts customer acceptance and due diligence by business and marketing department and risk management department in pre-lending evaluations. In the credit approval phase, all loan applications are subject to the assessment and approval of the Company's deputy general manager, general manager or loan assessment committee, depending on the amount of the loans. During the post-lending monitoring, the Company conducts on-site inspections and off-site inquiries to detect potential risks by evaluating various aspects, including but not limited to the customers' operational and financial conditions, status of collaterals and other sources of repayment.

The Company adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss of the loan portfolio is assessed collectively or individually as appropriate.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special Mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.



19 Financial risk management and fair values of financial instruments (Continued)

(a) Credit risk (Continued)

Credit risk arising from micro-finance business (Continued)

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Company's operating results to a particular industry or geographic location. As the Company mainly conducts micro-finance business in Deqing County, Zhejiang Province, a certain level of geographical concentration risk exists for its loan portfolios in that it might be affected by changes of economic conditions.

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of the reporting periods.

Other credit risk

The Company adopts a credit rating approach in managing the credit risk of the treasury business, counterparties' rating are evaluated before transactions with reference to major rating agencies generally recognized by the People's Bank of China.

In respect of interest receivables and other assets, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluation focus on the customers' past history of making payments when due 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. Normally, the Company does not obtain collateral from customers.



19 Financial risk management and fair values of financial instruments (Continued)

(b) Liquidity risk

Management regularly monitors the Company's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following tables provide an analysis of the remaining contractual maturities, which are based on contractual undiscounted cash flows (including interest payments, computed using contractual rates) of the financial assets and liabilities of the Company at the end of the reporting periods:

	At 31 December 2014					Balance sheet book value RMB'000
	Overdue/ Repayment on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	Total RMB'000	
Assets						
Cash and cash equivalents	24,488	—	—	—	24,488	24,488
Interest receivables	9,795	—	—	—	9,795	9,795
Loans and advances to customers	545	360,910	871,114	138	1,232,707	1,109,394
Other assets	685	—	—	—	685	685
Total	35,513	360,910	871,114	138	1,267,675	1,144,362
Liabilities						
Interest-bearing borrowings	—	(1,690)	(179,618)	—	(181,308)	(175,000)
Accruals and other payables	(6,365)	—	—	—	(6,365)	(6,365)
Total	(6,365)	(1,690)	(179,618)	—	(187,673)	(181,365)
	29,148	359,220	691,496	138	1,080,002	962,997



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(Expressed in RMB'000, unless otherwise stated)

19 Financial risk management and fair values of financial instruments (Continued)

(b) Liquidity risk (Continued)

	At 31 December 2013					
	Overdue/ Repayment on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	Total RMB'000	Balance sheet book value RMB'000
Assets						
Cash and cash equivalents	81,100	—	—	—	81,100	81,100
Trading financial assets	150,000	—	—	—	150,000	150,000
Interest receivables	8,622	—	—	—	8,622	8,622
Loans and advances						
to customers	775	90,694	500,639	111	592,219	517,238
Other assets	41	—	9,000	—	9,041	9,041
Total	240,538	90,694	509,639	111	840,982	766,001
Liabilities						
Interest-bearing borrowings	—	(12,803)	(166,291)	—	(179,094)	(171,000)
Accruals and other payables	(1,985)	—	—	—	(1,985)	(1,985)
Total	(1,985)	(12,803)	(166,291)	—	(181,079)	(172,985)
	238,553	77,891	343,348	111	659,903	593,016



19 Financial risk management and fair values of financial instruments (Continued)

(c) Interest risk

The Company is principally engaged in the provision of micro-finance services. Its interest rate risk arises primarily from deposits with banks, loans and advances to customers and interest-bearing borrowings.

(i) Interest rate profile

The following tables details the interest rate profile of the Company's assets and liabilities as at the end of the reporting periods:

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Fixed interest rate		
Financial assets		
— Cash and cash equivalent	—	—
— Loans and advances to customers	1,109,394	517,238
	1,109,394	517,238
Financial liabilities		
— Interest-bearing borrowings	(175,000)	(171,000)
	(175,000)	(171,000)
Net	934,394	346,238
Variable interest rate		
Financial assets		
— Cash at banks	24,488	81,083
Net	24,488	81,083
Net fixed rate borrowings as a percentage of total borrowings	100.00%	100.00%



19 Financial risk management and fair values of financial instruments (Continued)

(c) Interest risk (Continued)

(ii) Sensitivity analysis

At 31 December 2014 and 31 December 2013, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the Company's net profit during the year by approximately RMB 92,000 and RMB 304,000 respectively.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Company at the end of the reporting period.

(d) Fair value

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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



19 Financial risk management and fair values of financial instruments (Continued)

(d) Fair value (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The Company has a team headed by the finance manager performing valuations for wealth management products, which are categorized into Level 3 of the fair value hierarchy. The Company determines the fair values of wealth management products by discounted cash flow or other valuation methods. The team reports directly to the Chief Financial Officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the Chief Financial Officer. Discussion of the valuation process and results with the Chief Financial Officer and the directors is held twice a year, to coincide with the reporting dates.

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Level 3	—	150,000

During the period, there were no transfers between instruments in Level 1 and Level 2. The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
At the beginning of the year	150,000	—
Payment for purchases	520,470	2,062,610
Proceeds from sales	(670,470)	(1,912,610)
At the end of the year	—	150,000

(ii) Fair value of financial assets and liabilities carried at other than fair value.

The carrying amounts of the Company's financial instruments carried at cost or amortized cost are not materially different from their fair values at 31 December 2013 and 31 December 2014.



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(Expressed in RMB'000, unless otherwise stated)

20 Commitments

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	515	—
After 1 year but within 5 years	515	—
Total	1,030	—

The Company is the lessee in respect of a certain properties held under operating leases. The leases typically run for an initial period of 1-3 years, at the end of which period all terms are renegotiated. None of the leases include contingent rentals.

21 Material related party transactions

(a) Transactions with key management personnel

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Key management personnel Remuneration (Note (i))	1,566	1,015
Operating lease charges (Note(ii))	515	550
Receiving guarantees for loans and advances to customers	—	30,100
Releasing guarantees for loans and advances to customers	(4,300)	(30,200)

Notes:

- (i) Remuneration for key management personnel includes amounts paid to certain directors of the Company as disclosed in Note 7 and the highest paid employees as disclosed in Note 8.
- (ii) Operating lease charges are paid to the Chairman of the Company for the lease in respect of the Company's office. The lease was carried out on normal commercial terms.



21 Material related party transactions (Continued)

(b) Balances with key management personnel

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Other assets	350	—
Guarantees received for loans and advances to customers	—	4,300

(c) Other related party transactions

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Interest income	1	122
License fees	—	100
Additions of loans and advances to customers	1,000	900
Repayment of loans and advances to customers	(1,000)	(1,800)
Receiving guarantees for bank loans	245,000	200,000
Releasing guarantees for bank loans	(230,000)	(160,000)
Receiving guarantees for loans and advances to customers	3,900	26,250
Releasing guarantees for loans and advances to customers	(6,100)	(25,000)

All the transactions set out above were carried out during the period on normal commercial terms.

(d) Balances with other related parties

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Guarantees received for bank loans (Note (i))	175,000	160,000
Guarantees received for loans and advances to customers (Note (ii))	—	2,200



21 Material related party transactions (Continued)

(d) Balances with other related parties (Continued)

Notes:

- (i) The guarantees were provided by the related parties of the Company with no charges, and were expired on 13 January 2015.
- (ii) The guarantees were provided by the related parties of the Company for repayment of the loans borrowed by some of the customers, which are not related parties to the Company. These guarantees expire on the same dates of the maturing dates of the related loans from the customers.

22 Accounting judgements and estimates

In the process of applying the Company's accounting policies, the key sources of estimation uncertainty are as follows:

(a) Impairment of receivables and loans and advances

The Company reviews portfolios of receivables and loans and advances periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for receivables and loans and advances. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for receivables and loans and advances that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

As described in Note 1(f), receivables stated at amortized cost are reviewed at the end of each reporting period to assess whether impairment losses exist. The Company makes judgements as to whether there is any objective evidence that a receivables are impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for receivables. It also includes observable data indicating adverse changes in the repayment status of the debtors. If, in a subsequent period, the amount of the impairment losses on receivables decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss.



22 Accounting judgements and estimates (Continued)

(b) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in accordance with accounting policy for impairment of long-lived assets as described in Note 1(i). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Company uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(c) Depreciation and amortisation

Fixed assets and intangible assets are depreciated and amortized using the straight-line method over their useful lives after taking into account estimated residual value. The useful lives and residual value are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives are determined based on historical experience of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation, the rate of depreciation is revised

(d) Tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Company carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized for temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.



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23 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2014 and which have not been adopted in the financial statements.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, <i>Employee benefits</i> :	
<i>Defined benefit plans: Employee contribution</i>	1 July 2014
Annual Improvements to HKFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to HKFRSs 2011-2013 Cycle	1 July 2014
HKFRS 14, <i>Regulatory deferral accounts</i>	1 January 2016
Amendments to HKFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
HKFRS 15, <i>Revenue from contracts from customers</i>	1 January 2017
HKFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
Amendments to HKFRS 9, <i>Financial instruments and HKFRS 7, Financial instruments: Disclosures – Mandatory effective date and transition disclosures</i>	1 January 2018

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

24 Subsequent events

The shares of the Company were listed on Stock Exchange of Hong Kong Limited on 13 January 2015.



佐力科創小額貸款股份有限公司
Zuoli Kechuang Micro-finance Company Limited