Flying Financial Service Holdings Limited
匯聯金融服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8030

Annual Report 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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Corporate Information

DIRECTORS

Executive Directors

Mr. Li Zhongyu *(Chairman)*
Mr. Zheng Weijing *(Vice-chairman)*
Mr. Peng Zuohao *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Vincent Cheng
(formerly known as Cheng Ka Fuk Vincent)
Mr. Ji Dong *(resigned on 16 August 2012)*
Mr. Lu Quanzhang *(appointed on 16 August 2012)*
Mr. Zhang Gongjun

COMPANY SECRETARY

Mr. Chow Hiu Tung, *FCCA, HKICPA, CISA*

COMPLIANCE OFFICER

Mr. Zheng Weijing

AUTHORIZED REPRESENTATIVES

Mr. Li Zhongyu
Mr. Chow Hiu Tung

AUDIT COMMITTEE

Mr. Vincent Cheng
(formerly known as Cheng Ka Fuk Vincent) (Chairman)
Mr. Ji Dong *(resigned on 16 August 2012)*
Mr. Lu Quanzhang *(appointed on 16 August 2012)*
Mr. Zhang Gongjun

REMUNERATION COMMITTEE

Mr. Ji Dong *(Chairman) (resigned on 16 August 2012)*
Mr. Lu Quanzhang *(Chairman) (appointed on 16 August 2012)*
Mr. Zhang Gongjun
Mr. Peng Zuohao

NOMINATION COMMITTEE

Mr. Li Zhongyu *(Chairman)*
Mr. Vincent Cheng *(formerly known as Cheng Ka Fuk Vincent)*
Mr. Zhang Gongjun

PRINCIPAL BANKERS

China Guangfa Bank, Heyuan branch
1/F, Youli Building
19 Construction Road West
Heyuan, China

Huaxia Bank, Shenzhen Shennan branch
4003 Shennan East Road
Luohu District
Shenzhen, China

COMPLIANCE ADVISER

GF Capital (Hong Kong) Ltd

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 801A and 807B, 8/F
Tsim Sha Tsui Centre
66 Mody Road
Tsim Sha Tsui
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

17/F., Huanggang Business Centre
Jintian Road, Futian District
Shenzhen, China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.flyingfinancial.hk

STOCK CODE

8030

Financial Highlights

	2012 RMB'000	2011 RMB'000	Changes
OPERATING RESULTS			
Revenue	**94,630**	86,799	+9.02%
Profit for the year attributable to owners of the Company	**41,409**	48,497	-14.62%
Basic earnings per share	**RMB4.47 cents**	RMB6.47 cents	-30.91%
Dividend for the year per share	**HK3.00 cents**	HK0.00 cents	N/A
FINANCIAL POSITION			
Total assets	**385,528**	217,374	+77.36%
Bank balances and cash	**141,417**	87,571	+61.49%
Net assets	**354,213**	182,596	+93.99%

Chairman's Statement

On behalf of the board of Directors (the "Board") of Flying Financial Service Holdings Limited, I am pleased to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

General credit available for small and medium sized enterprises (the "SMEs") in the PRC remained tight in 2012. Unlike large, state-owned enterprises, SMEs do not have easy access to credit from banks. As such, the Group experienced a stronger than ever demand for its financing services. The listing in May 2012 represented a milestone for us. After listing, we have a broader capital base for our expansion and we are able to attract more talented staff to join our Group. In 2012, we shifted our focus from pawn loan services to entrusted loan services which provide more flexibility on serving our customers. We had strong demand for our loan services and financial consultancy services and we expect the demand to remain strong in 2013. Our investment in offices expansion and human resources will enable us to capture the opportunities in 2013.

In 2012, we established offices in Hong Kong and Beijing and we are setting up offices in other locations in China. We believe these offices will contribute positively to our income in 2013.

It is expected that the China economic growth will remain stable in 2013 and we believe that the PRC government will adopt a rather prudent monetary policy in 2013. Therefore, the Directors believe that the financing needs in the PRC market will continue to be strong.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the shareholders and customers for their invaluable support. I would also like to express our sincere appreciation to all the employees of the Group for their commitment and contribution.

Li Zhongyu
Chairman and Executive Director

Hong Kong, 19 March 2013

Management Discussion and Analysis

BUSINESS REVIEW

The Group offers comprehensive financing services to its customers. For the year ended 31 December 2012, the turnover was mainly derived from financial consultancy service, entrusted loan service and provision of pawn loan service.

FINANCIAL REVIEW

Revenue

The Group's performance was satisfactory under the year under review with total revenue grew approximately 9.0% to approximately RMB94.6 million from approximately RMB86.8 million for the year ended 31 December 2011. Such increase was attributable to the strong demand in the Group's entrusted loan service and financial consultancy service.

Financial consultancy service income

With developed experience and expertise, the Group has successfully assisted many customers in obtaining satisfactory financing service provided by the Group or other financial institutions. For the year ended 31 December 2012, the Group's revenue from provision of financial consultancy service increased by approximately 12.5% from approximately RMB44.9 million for last year to approximately RMB50.5 million. We see a stable demand for financial consultancy services in 2012. In 2013, we expect this segment of business will have a healthy growth.

Entrusted loan service income

The revenue from provision of entrusted loan services was approximately RMB28.8 million, representing a rapid growth of approximately 10.3 times from approximately RMB2.5 million of the prior year. We commenced our entrusted loan services in 2011. As there are not many companies providing entrusted loan services, we met strong demand for our entrusted loan services in 2012 and we expect stronger demand in 2013.

Pawn loan service income

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB15.4 million from provision of pawn loan service, representing a decrease of approximately 60.9% as compared to the revenue of approximately RMB39.4 million last year. As pawn shops in Guangdong are expanding their business, the competition for pawn loan services is fierce. In 2012, we shifted our focus to entrusted loan services which provide more flexibility on serving our customers.

Interest expenses

The Group recorded a decrease in its interest expenses to approximately RMB54,000 during the year ended 31 December 2012, representing a decrease of approximately 88.5% from approximately RMB468,000 for last year. The interest expenses incurred in the current year were mainly the interest of the loan of HKD15,000,000 which was repaid in May 2012.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and marketing and advertising expenses. The Group's administrative and other operating expenses for the years ended 31 December 2012 and 2011 were approximately RMB36.3 million and approximately RMB20.1 million respectively. The increase of approximately 80.9% was mainly attributed to certain expenses including (i) listing expenses of approximately RMB7.5 million, (ii) increase of rental expenses of approximately RMB1.9 million for office expansion, and (iii) increase of other operating costs which was in line with the business growth.

Profit for the year attributable to owners of the Company

The profit attributable to owners of the Company for the year ended 31 December 2012 was approximately RMB41.4 million, representing a decrease of approximately 14.6% as compared to approximately RMB48.5 million in the year ended 31 December 2011.

OUTLOOK

It is expected that China economic growth will remain stable in 2013 and we expect that the demand for our services will remain strong. To capture these opportunities and the opportunities for Qianhai crossborder RMB activities, we will open more new offices in 2013. We will also consider to raise funds in Hong Kong or China for expansion of our business.

Overall, we believe both our revenue and profit will grow faster in 2013.

ADVANCE TO AN ENTITY

Pursuant to Rule 17.15 of the GEM Listing Rules, a general disclosure obligation arises where an advance to an entity from the Company exceeds 8% of the total assets of the Company. As at 31 December 2012, the Company's total assets were approximately RMB385.5 million. Pursuant to Rule 17.22 of the GEM Listing Rules, details of advances as defined under Rule 17.15 of the GEM Listing Rules which remained outstanding as at 31 December 2012 were as follow:

1 Entrusted loan agreement dated 24 July 2012 (the "Entrusted Loan Agreement A")

On 24 July 2012, Flying Investment, an indirect wholly-owned subsidiary of the Company, entered into an entrusted loan agreement with 河源市鴻大投資集團有限公司 (Heyuan Hongda Investment Group Company Limited*) (the "Borrower A") and 廣東南粵銀行股份有限公司深圳分行 (Shenzhen Branch of Guangdong Nanyue Bank*) as the lending agent (the "Lending Agent A"), pursuant to which, Flying Investment had agreed to entrust a fund in the amount of RMB40 million (the "Entrusted Fund A") to the Lending Agent A, for on-lending to Borrower A for a term of six months subject to and upon the terms and conditions therein. Borrower A's principal business activities include, among others, real estate development, agriculture, mining and financial investment. The Lending Agent A is a PRC commercial bank. The principal terms of Entrusted Loan Agreement A are set out below:

Loan amount:
RMB40 million.

Interest:
Interest rate on the loan amount was 1.8% per month.

Consultation fee:
Sunny Sino, an indirect wholly-owned subsidiary of the Company, entered into a consultation service agreement with the Borrower A pursuant to which Sunny Sino charged the Borrower A a consultation fee of 0.7% per month for assisting the Borrower A in securing the loan through the Entrusted Fund A.

Term of the loan:
Six months from the effective date of the Entrusted Loan Agreement A.

Security:
The loan was secured by unlisted shares of (i) a subsidiary of the Borrower A which was owned as to 98% by the Borrower A and as to 2% by a relative of the ultimate beneficial owner of the Borrower A, and (ii) a PRC company in which the Borrower A owned 10% equity interest, for the obligations of the Borrower under the Entrusted Loan Agreement A. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the security was not charged to any other parties other than being charged to the Lending Agent A.

If the price of the security falls to certain extent that the Company considers that the security does not provide adequate collaterisation of the loan, Flying Investment has the right to demand the Borrower A and/or the relative of the ultimate beneficial owner of the Borrower A to provide additional collateral or to demand early repayment to minimise the risk of default.

Guarantees:

Corporate guarantees were provided by a wholly owned subsidiary of the Borrower A and a company which was under the common control of the ultimate beneficial owner of the Borrower A. In addition, a personal guarantee was given by the ultimate beneficial owner of the Borrower A in favour of the Lending Agent to secure the obligation of the Borrower under the Entrusted Loan Agreement.

2 Entrusted loan agreement dated 17 October 2012 (the "Entrusted Loan Agreement B")

On 17 October 2012, Flying Investment, an indirect wholly-owned subsidiary of the Company, entered into an Entrusted Loan Agreement B with 武漢東湖科技創業農莊有限公司 (Wuhan Donghu Technology Development and Farming Company Limited*) (the "Borrower B") and Bank of china as lending agent (the "Lending Agent B"), pursuant to which, Flying Investment had agreed to entrust a fund in the amount of RMB30 million (the "Entrusted Fund B") to the Lending Agent B, for on-lending to the Borrower B for a term of six months subject to and upon the terms and conditions therein. Borrower B's principal business activities include, among others, agriculture, fisheries, biological engineering, food products, technological products, planting of vegetables, fruits and tree and sales of real estates. The Lending Agent B is a PRC commercial bank. The principal terms of the Entrusted Loan Agreement B are set out below:

Loan amount:

RMB30 million.

Interest:

Interest rate on the Loan amount was 1.8% per month.

Consultation fee:

Sunny Sino, an indirect wholly-owned subsidiary of the Company, entered into a consultation service agreement with the Borrower B pursuant to which Sunny Sino charged the Borrower B a consultation fee at 1.6% per month for assisting the Borrower B in securing the loan through the Entrusted Fund B.

Term of the loan:

Six months from the effective date of the Entrusted Loan Agreement B.

Security:

The loan was secured by (i) 50% of the unlisted shares of a PRC company in which the ultimate beneficial owner of the Borrower B owned 85% equity interest; and (ii) certain residential buildings in Wuhan under construction which are invested by the Borrower B, for the obligations of the Borrower B under the Entrusted Loan Agreement B. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the security is not charged to any other parties other than being charged to the Lending Agent B.

If the price of the security falls to certain extent that the Company considers that the security does not provide adequate collaterisation of the loan, the Lending Agent B has the right to demand the pledgor to provide additional collateral or to demand early repayment to minimise the risk of default.

Guarantees:

A personal guarantee was given by the ultimate beneficial owner of the Borrower B in favour of the Flying Investment to secure the obligation of the Borrower B under the Entrusted Loan Agreement B.

3 Entrusted loan agreement dated 22 October 2012 (the "Entrusted Loan Agreement C")

On 22 October 2012, Flying Investment, an indirect wholly-owned subsidiary of the Company, entered into an Entrusted Loan Agreement with 佛山市順德區鉦洋鋼鐵貿易有限公司 (Foshan City Shunde District Zhengyang Steel Trading Company Limited*) (the "Borrower C") and Bank of China (the "Lending Agent C"), pursuant to which, Flying Investment had agreed to entrust a fund in the amount of RMB30 million (the "Entrusted Fund C") to the Lending Agent C, for on-lending to the Borrower C for a term of six months subject to and upon the terms and conditions therein. Borrower C 's principal business activities include, among others, domestic commercial and material supply and marketing industry. The Lending Agent C is a PRC commercial bank. The principal terms of the Entrusted Loan Agreement C are set out below:

Loan amount:

RMB30 million.

Interest:

Interest rate on the loan amount was 1.8% per month.

Consultation fee:

Sunny Sino, an indirect wholly-owned subsidiary of the Company, entered into a consultation service agreement with the Borrower C pursuant to which Sunny Sino charged the Borrower C a consultation fee at 2.2% per month for assisting the Borrower C in securing the loan through the Entrusted Fund C on the Effective Date.

Term of the loan:

Six months from the effective date of the Entrusted Loan Agreement C.

Security:

The loan was secured by the 1st floor of a commercial real estate property located in Yueyang, the PRC, for the obligations of the Borrower C under the Entrusted Loan Agreement C. The property is owned by a PRC company which has business relationship with the Borrower C. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the security is not charged to any other parties other than being charged to the Lending Agent C.

If the price of the security falls to certain extent that the Company considers that the security does not provide adequate collaterisation of the loan, the Lending Agent C has the right to demand the pledgor to provide additional collateral or to demand early repayment to minimise the risk of default.

Guarantees:

Corporate guarantee was provided in favour of the Lending Agent C by a PRC company of which the Borrower C has business relationship with, and the respective ultimate beneficial owners of the Borrower C and the PRC company are acquainted with each other. In addition, a personal guarantee was given by the ultimate beneficial owner of the corporate guarantor in favour of Flying Investment to secure the obligation of the Borrower C under the Entrusted Loan Agreement C.

FINAL DIVIDEND

In view of the Group's favorable operating results for the year ended 31 December 2012 and having taken into consideration its previous dividend policy, the Board recommends payment of a final dividend of HK3 cents (or equivalent to approximately RMB2.44 cents) per ordinary share of the Company (the "share") for the financial year ended 31 December 2012 (2011: nil), subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company (the "Annual General Meeting") to be held on 30 April 2013 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

Subject to the approval of the aforesaid proposed final dividend, the payment of final dividend will be made and despatched on or about 30 May 2013 and the dividend payout ratio for the year under review will be 55%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2012, the Group had bank balances and cash of approximately RMB141.4 million (2011: approximately RMB87.6 million). During the year under review, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowings to the total assets of the Group was nil as at 31 December 2012 (2011: 5.7%).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2012.

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

Save as disclosed under "Comparison of Business Objectives with Actual Business Progress" in this report, there was no specific plan for material investments or capital assets as at 31 December 2012.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group has no significant contingent liabilities (2011: nil).

CAPITAL COMMITMENTS

As at 31 December 2012, the Group had no capital expenditure contracted for but not provided in the financial statements (2011: nil).

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had a total of 94 staff (2011: 52). Total staff costs (including Directors' emoluments) were approximately RMB9.6 million for the year ended 31 December 2012 (2011: RMB3.9 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, and contributions to statutory mandatory provident fund scheme and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

The emoluments of the Directors are reviewed by the remuneration committee of the company, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group, the Group's operating results and comparable market statistics.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Company's prospectus dated 20 April 2012 (the "Prospectus") with the Group's actual business progress for the period from 20 April 2012 to 31 December 2012 is set out below:

Business objectives for the period from 20 April 2012 to 31 December 2012 as stated in the Prospectus	**Actual business progress for the period from 20 April 2012 to 31 December 2012**

1. Develop our marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for our short-term financing services and financial consultation services

– Establish a sales office in Beijing	– Establish a sales office in Beijing
– Recruit new staff for the Beijing sales office	– Recruit new staff for the Beijing sales office
– Placing advertisement	– Placing advertisement
Approximately HK$3,400,000	Approximately HK$1,200,000

2. Enhance our short-term financing services to capture business opportunities in the sizeable financing market

– Inject fundings or make contributions into member(s) of our Group	– Inject fundings or make contributions into member(s) of our Group
Approximately HK$123,900,000	Approximately HK$43,320,000

As capital injection requires the PRC government's approval, we had injected HK$43,320,000 into member companies for the period from 20 April 2012 to 31 December 2012.

Use of Proceeds

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from 20 April 2012 to 31 December 2012, the net proceeds from placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from 20 April 2012 to 31 December 2012 HKD	**Actual use of proceeds from 20 April 2012 to 31 December 2012** HKD
	Approximately	Approximately
1. Develop our marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for our short-term financing services and financial consultation services	3,400,000	1,200,000
– Establish sales office in Beijing		
– Recruit new staff for the Beijing sales office		
– Placing advertisement		
2. Inject fundings or make contributions into member(s) of our Group	123,900,000	43,320,000

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Zhongyu, aged 39, the co-founder of our Group, is our chairman and executive Director. Mr. Li was appointed as our executive Director on 4 May 2011. He is responsible for strategic planning and overseeing the overall operation and general management of our Group. Mr. Li founded our Group in September 2005.

Mr. Li finished the Professional postgraduate course in Currency and Banking from Banking and Finance Faculty of Graduate School of The Chinese Academy of Social Sciences in March 1998. He obtained both Certificate of Clearing Staff of Shenzhen Stock Exchange and Qualification of Floor Trader of Shenzhen Stock Exchange in April 1993.

Mr. Zheng Weijing, aged 40, the co-founder of our Group, is our vice-chairman and executive Director. Mr. Zheng has been our vice president since September 2008 and was appointed as our executive Director on 4 May 2011. He is responsible for risk control of our Group.

Mr. Zheng finished the Professional Postgraduate course in Finance from Finance faculty of Graduate School of The Chinese Academy of Social Sciences in May 2007, and he has been attending courses for Executive Master of Business Administration of Peking University HSBC School of Business since February 2010.

Mr. Peng Zuohao, aged 43, one of our co-founders and our chief executive officer, was appointed as our executive Director on 4 May 2011. Mr. Peng is responsible for operation and management.

In June 1991, Mr. Peng obtained his bachelor's degree in Radio from Shenzhen University. In July 2010, he obtained the Executive Master of Business Administration from Peking University.

Independent non-executive Directors

Mr. Vincent Cheng, aged 49, *FCPA (Aust), FCPA (HK), FCIS, FTI (HK), CTA (HK)*, was appointed as our independent non-executive Director on 20 December 2011. Mr. Cheng obtained a master degree in business administration from Deakin University in Australia, and a bachelor of arts degree in accountancy from the City University of Hong Kong. Mr. Cheng was admitted as a fellow of CPA Australia, the Institute of Chartered Secretaries and Administrators, Hong Kong Institute of Certified Public Accountants Taxation Institute of Hong Kong. He was also a Certified Tax Adviser (CTA HK) recognised by the Taxation Institute of Hong Kong.

From December 1987 to September 2000, he was employed by a financial planning firm and the last post was finance director. During October 2000 and February 2002, he worked as project manager to assist a company to seek its listing status in Hong Kong. From May 2003 to July 2010, he joined a listed company in Hong Kong and acted as qualified accountant & company secretary.

Mr. Lu Quanzhang, aged 56, was appointed as our independent non-executive Director on 16 August 2012. Mr. Lu has over 18 years of experience in legal practice in the PRC. Mr. Lu is a registered lawyer in the PRC. He holds a master post graduate certificate of law from China University of Political Science and Law. Mr. Lu was a founding partner of Jun Yan Law Firm in Guangdong where he has practiced since 2003. He is an arbitrator of the China International Economic and Trade Arbitration Commission since May 2011.

Mr. Lu currently serves as executive director and chairman of the board of director of Deson Development International Holdings Limited ("Deson Development"), a company listed on the Main Board of the Stock Exchange (stock code: 262).

Mr. Zhang Gongjun, aged 46, was appointed as our independent non-executive Director on 20 December 2011. Mr. Zhang finished his studies in finance accounting department of Business college of Ma Anshan (which later merged with other institutions to form Anhui University of Technology) in the PRC in July 1987. In July 2001, Mr. Zhang finished the MBA training courses jointly operated by Peking University and Hong Kong University of Science and Technology. He has been attending courses for Executive Master of Business Administration of Peking University HSBC School of Business since march 2010.

Since August 2008, Mr. Zhang has been serving as a non-executive director of Sino Grandness Food Industry Group Limited, a company listed on the Singapore Exchange Securities Trading Limited in 2009. He is also a non-executive director of Easehome Properties Pte Ltd..

SENIOR MANAGEMENT

Mr. Ji Dong, aged 44, was appointed as chief operating officer of our Group on 16 August 2012. He served as our independent non-executive director from 20 December 2011 to 16 August 2012. Mr. Ji obtained his master of economics degree in finance from Southwestern University of Finance and Economics in the PRC in June 2000, and obtained his bachelor's degree in economics from Shanghai University of Finance and Economics in the PRC in July 1990.

Mr. Ji had over 18 years of experience in banking and finance. He had worked for China Merchants Bank, China Everbright Bank and Standard Chartered Bank (China) Ltd.

Ms. Liu Jun, aged 40, is our financial controller who is responsible for monitoring the daily operation of finance function of our Group. Ms. Liu joined our Group in September 2005 as financial controller and she has been a director of Guangdong Huijin since 2008.

Ms. Liu, Bachelor degree, SIFM, Senior Accountant, has more than 15 years of experience in accounting management and financial business.

COMPANY SECRETARY

Mr. Chow Hiu Tung, aged 41, *FCCA, HKICPA, CISA*, is our chief financial officer and company secretary. He joined our Group in August 2011, responsible for financial matters of our Group. He obtained a bachelor's degree in business administration in finance from the Hong Kong University of Science and Technology in November 1995, and a master degree in international business (commercial law) from University of Sydney in December 2001. Mr. Chow is a fellow of The Association of Chartered Certified Accountants in United Kingdom, an associate of the Hong Kong Institute of Certified Public Accountants (the former Hong Kong Society of Accountants) and a member of Information System Audit and Control Association in US.

Mr. Chow has over 15 years experience on financial management, listing rules, financial analysis, tax and treasury operation, project management and fund raising.

COMPLIANCE OFFICER

Mr. Zeng Weijing, who is also executive director of the Company, is our compliance officer. Please refer to Directors above for details.

Corporate Governance Report

The Board of Directors (the "Board") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2012.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

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

A. THE BOARD

A.1 Responsibilities and delegation

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

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

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

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

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

A.2 Board composition

The Board currently comprises the following directors:

Executive directors:

Mr. Li Zhongyu	*(Chairman)*
Mr. Zheng Weijing	*(Vice-chairman)*
Mr. Peng Zuohao	*(Chief Executive Officer)*

Independent non-executive directors:

Mr. Vincent Cheng	*(Chairman of the Audit Committee and member of the Nomination Committee)*
Mr. Ji Dong *(resigned on 16 August 2012)*	*(Chairman of the Remuneration Committee and member of the Audit Committee)*
Mr. Lu Quanzhang *(appointed on 16 August 2012)*	*(Chairman of the Remuneration Committee and member of the Audit Committee)*
Mr. Zhang Gongjun	*(Member of the Audit Committee, Nomination Committee and Remuneration Committee)*

The biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report. None of the members of the Board is related to one another.

During the period from 7 May 2012 (the listing Date) to 31 December 2012, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non- executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive Directors.

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

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

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

A.3 Chairman and chief executive officer

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

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

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

A.4 Appointment and re-election of directors

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

In accordance with the Company's Articles of Association, one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. All of the retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to the aforesaid provisions of the Articles of Association, two directors of the Company shall retire at the forthcoming 2012 annual general meeting of the Company and being eligible, will offer themselves for re-election at the meeting. The Company's circular, sent together with this annual report, contains detailed information of the retiring directors pursuant to the GEM Listing Rules.

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

A.5 Training and continuing development for directors

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

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors will be arranged where necessary.

A.6 Board meetings

A.6.1 Board practices and conduct of meetings

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

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

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

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

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

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

A.6.2 Directors' Attendance Records

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

During the year ended 31 December 2012, the Board held three full regular Board meetings which were held at approximately quarterly intervals. The attendance of each director is as follows:

	Number of meetings attended/ Eligible to attend
Mr. Li Zhongyu	3/3
Mr. Zheng Weijing	3/3
Mr. Peng Zuohao	3/3
Mr. Vincent Cheng	3/3
Mr. Ji Dong (resigned on 16 August 2012)	2/2
Mr. Lu Quanzhang (appointed on 16 August 2012)	1/1
Mr. Zhang Gongjun	3/3

The Company did not hold any general meeting during the period from the Listing Date to 31 December 2012. The first Annual General Meeting is scheduled to be held on 30 April 2013.

There were 8 additional Board meetings held and attended by certain executive Directors for normal course of business during the year. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

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

A.7 Required standard of dealings

The Company has adopted its securities dealing code (the "Code") regarding directors' dealings in the Company's securities by the Directors, senior personnel and certain employees of the Group (who are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Specific enquiry has been made of the Directors and all of them have confirmed that they have complied with the required standards set out in the Required Standard of Dealings and the Code throughout the period from 7 May 2012 to 31 December 2012.

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

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

B. BOARD COMMITTEES

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

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

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

B.1 Remuneration committee

The Remuneration Committee is consisted of a total of three members, comprising two independent non-executive Directors, namely, Mr. Lu Quanzhang (appointed on 16 August 2012), Mr. Ji Dong (resigned on 16 August 2012) and Mr. Zhang Gongjun and an executive Director namely, Mr. Peng Zuohao.

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

Details of the remuneration of each Director for the year ended 31 December 2012 are set out in note 11 to the financial statements contained in this annual report.

Up to the date of this annual report, the Remuneration Committee met twice with the presence of all the eligible members and performed the following major tasks:

- To review and make recommendation on the payment of a year-end bonus and special bonus to the employees of the Group;

- To review and make recommendation on the current remuneration package of directors and senior management of the Group; and

- To review and make recommendation on the terms of the Appointment Letter and proposed remuneration of appointment of an independent non-executive Director.

B.2 Audit committee

The Audit Committee comprises a total of three members, namely, Mr. Vincent Cheng (formerly known as Cheng Ka Fuk Vincent) (Chairman), Mr. Ji Dong (resigned on 16 August 2012), Mr. Lu Quanzhang (appointed on 16 August 2012) and Mr. Zhang Gongjun, all of whom are independent non-executive Directors. The Chairman of the Audit Committee also possesses the appropriate accounting and financial management expertise as required under Rule 5.28 of the GEM Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

During the financial year ended 31 December 2012 and up to the date of this annual report, the Audit Committee met three times. The attendance of each executive is as follows:

	Number of meetings attended/ Eligible to attend
Mr. Vincent Cheng	3/3
Mr. Zhang Gongjun	3/3
Mr. Ji Dong (resigned on 16 August 2012)	2/2
Mr. Lu Quanzhang (appointed on 16 August 2012)	1/1

Two of the meetings were also with the presence of the external auditor and the senior management of the Company and performed the following major tasks:

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

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

- Review of the Company's continuing connected transactions for the year ended 31 December 2012 pursuant to the GEM Listing Rules and conditions of waiver granted by the Stock Exchange in respect of such transactions.

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

B.3 Nomination committee

Pursuant to the recommended best practice of the CG Code, the Company has established the Nomination Committee. The Nomination Committee is consisted of a total of three members comprising of an executive Director, namely, Mr. Li Zhongyu (Chairman) and two independent non-executive Directors, namely, Mr. Vincent Cheng (formerly known as Cheng Ka Fuk Vincent) and Mr. Zhang Gongjun.

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

Up to the date of this annual report, the Nomination Committee met once with the presence of Mr. Li Zhongyu, Mr. Vincent Cheng (formerly known as Cheng Ka Fuk Vincent) and Mr. Zhang Gongjun and performed the following major tasks:

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

- Assessment of the independence of the existing independent non-executive Directors; and

- Recommendation on the appointment of an independent non-executive Director.

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

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2012.

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

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

D. INTERNAL CONTROLS

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

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2012. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities for the Group's financial statements for the year ended 31 December 2012 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to BDO Limited, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2012 are analyzed below:

Type of services provided by the external auditor	For the year ended 31 December 2012 HK$'000
Audit services	1,585
Non-audit services	–
TOTAL:	1,585

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Hong Kong or via email to "info@flyingfinancial.hk" for any inquiries. Inquiries are dealt with in an informative and timely manner.

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

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

G. SHAREHOLDERS' RIGHTS

Procedures for convening extraordinary meeting on requisition

Shareholders of the Company (the "Shareholders") shall follow the following procedures as prescribed in article 64 of the article of association of the Company (the "Article of Association") to convene an extraordinary general meeting of the Company (the "EGM"):

(1) One or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings (the "Requisitionist(s)") shall have the right, by written requisition (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) The Requisition shall be made in writing to the Directors or the secretary of the Company at both of the following addresses:

Principal place of business of the Company in Hong Kong

Address:	Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Hong Kong
Attention:	Board of Directors/company secretary

Registered office of the Company
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
Attention: Board of Directors/company secretary

(3) The EGM shall be held within two months after the deposit of the Requisition.

(4) If the Directors fail to proceed to convene the EGM within twenty-one (21) days of deposit of the Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"), Tricor Investor Services Limited, details of which are as follows:

Tricor Investor Services Limited

Address:	26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Email:	angelina.shi@hk.tricorglobal.com
Tel:	(852) 2980 1751
Fax:	(852) 2861 1465

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Attention:	Board of Directors/Company Secretary
Address:	Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Hong Kong
Email:	info@flyingfinancial.hk
Tel:	(852) 2152 9937
Fax:	(852) 2152 9927

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures for Shareholders to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, Shareholder(s) should lodge a written notice of his/her proposal (the "Proposal") with his/her detailed contact information at the Company's principal place of business in Hong Kong as specified above.

The Proposal will be verified with the Branch Share Registrar in Hong Kong and upon their confirmation that the Proposal is proper and in order, the board of Directors will be asked to include the Proposal in the agenda for the general meeting. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a Shareholder is (i) pursuant to a requisition by a Shareholder to convene an EGM or (ii) forms part of ordinary business to be considered at an annual general meeting as described in Article 67(A).

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholder(s) concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) not less than twenty-one (21) clear days' notice and not less than twenty (20) clear business days' notice in writing if the Proposal requires approval by way of any resolution of the Company in its annual general meeting;

(b) not less than twenty-one (21) clear days' notice and not less than ten (10) clear business days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in the EGM; or

(c) not less than fourteen (14) clear days' notice and not less than ten (10) clear business days' notice in writing if the Proposal requires approval by way of any resolution of the Company other than those specified in paragraphs (a) and (b) above.

H. NON-COMPETITION UNDERTAKING

Details on the compliance of the Non-Competition Undertaking by the Controlling Shareholders for the year ended 31 December 2012 is set out in the paragraph headed "Non-Competition Undertaking" on page 29 of this report.

I. CONSTITUTIONAL DOCUMENTS

The Board confirm that there is no changes in the Company's constitutional documents. Updated version of the Company's Memorandum and Articles of Association is available on both the websites of the Stock Exchange and the Company.

Report of the Directors

The Board of Directors of the Company is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group are provision of pawn loans, entrusted loan and financing consultancy services.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 43 to 47.

The Board recommends payment of a final dividend of HK3 cents (or equivalent to RMB2.44 cents) per ordinary share of the Company for the financial year ended 31 December 2012 (2011: nil), to the shareholders of the Company whose names are on the register of members on Thursday, 23 May 2013, subject to the approval by the Company's shareholders at the Annual General Meeting and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2012.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled on 30 April 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 25 April 2013 to Tuesday, 30 April 2013 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 April 2013.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Thursday, 23 May 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 21 May 2013 to Thursday, 23 May 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Monday, 20 May 2013. The payment of final dividend will be made and despatched on or about Thursday, 30 May 2013.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past three years is set out in the financial summary on page 86 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

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

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statement.

RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution to equity holders comprising share premium account less accumulated losses, amounted to approximately RMB39 million.

MAJOR CUSTOMERS

For the year ended 31 December 2012, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

– The largest customer	14%
– The total of five largest customers	45%

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

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Li Zhongyu
Mr. Zheng Weijing
Mr. Peng Zuohao

Independent Non-executive Directors

Mr. Vincent Cheng (formerly known as Cheng Ka Fuk Vincent)
Mr. Ji Dong (resigned on 16 August 2012)
Mr. Lu Quanzhang (appointed on 16 August 2012)
Mr. Zhang Gongjun

Mr. Li Zhongyu and Mr. Zheng Weijing are due to retire from the Board by rotation in accordance with article 105(A) of the Company's articles of association (the "Article of Association") and Mr. Lu Quanzhang, who was appointed as an independent non-executive Director on 16 August 2012, is also due to retire from the Board in accordance with article 109 at the forthcoming Annual General Meeting to be held on 30 April 2013. The retiring Directors, being eligible, all offer themselves for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 13 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 1 January 2012 unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the executive Director not being re-elected as a Director or being removed by shareholders at general meeting of the Company in accordance with the Articles of Association.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as those dividends in "Non-exempt Continuing Connected Transactions", no directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 11 to the consolidated financial statements.

PENSION SCHEME

Particulars of the pension scheme of the Group are set out in note 10 to the audited financial statements.

COMPETING INTEREST

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which any person may have with the Group as at 31 December 2012.

NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, each of Silvery Dragon Limited, High Eminent Limited, Prime Origin Limited, Ding Rong Limited, Ming Cheng Investments Limited, Ocean Prosperous Limited, Mr. Li Zhongyu, Mr. Zheng Weijing and Mr. Peng Zuohao (collectively, the "Controlling Shareholders") has executed a deed of non-competition (the "Non-competition Undertaking") through which they have irrevocably warranted and undertaken to the Company on a joint and several basis, not to, among others, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the business of the provision of (i) pawn loan services; (ii) entrusted loan services; (iii) financial consultation services and business ancillary to any of the foregoing in Hong Kong, the PRC and any other country or jurisdiction to which the Group provides such services and/or in which any member of the Group carries on business mentioned above from time to time.

The Controlling Shareholders have confirmed to the Company in respect of their compliance with the Non-competition Undertaking during the financial year ended 31 December 2012 and up to the date of this report.

The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking during the financial year ended 31 December 2012 and up to the date of this report based on information and confirmation provided by or obtained from Controlling Shareholders, and were satisfied that the Controlling Shareholders have duly complied with the Non-competition Undertaking.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

As disclosed in the Prospectus, as a provider of pawn loan services to the customers, Guangdong Huijin is subject to the requirements of the Measures for the Administration of Pawning (典當管理辦法) (the "Pawning Measures"), The Pawning Measures prescribe certain thresholds which pawn loan providers have to comply with in respect of the pawn loans advanced to customers and it also governs the rate of interest and total fees that may be charged by a pawn loan provider.

The Pawning Measures provide that the rate of interest charged on a loan provided in respect of pawned property must not exceed the interest rate for a six-month loan as published by the People's Bank of China (the "PBOC") as discounted by the pawn loan period. It further provides that the combined monthly total fees (excluding the consultation fee and the amount of loan repayment) (being administration fee in the business) payable by the pledgor must not exceed 4.2% of the loan amount in respect of loans secured by pledged movable property, 2.7% of the loan amount in respect of loans secured by mortgaged real estate and 2.4% of the loan amount in respect of loans secured by pledged property rights. As advised by the PRC Legal Adviser, the "combined monthly total fees" should not include the interest charged by Guangdong Huijin.

As regards the other thresholds, the Pawning Measures provide that the maximum outstanding amount owing on property pledged or mortgaged by any one legal person or natural person to a pawn loan provider must not exceed 25% of the registered capital of the pawn loan provider; and that the total outstanding amount owing in respect of property right pledged by customers must not exceed 50% of the registered capital of a pawn loan provider. It is also provided in the Pawning Measures that, if the registered capital of a pawn loan provider is more than RMB10 million, the maximum loan amount that may be provided for a single real estate backed loan must not exceed 10% of the registered capital of the pawn loan provider.

For the two years ended 31 December 2011, there were nine incidents where the loans granted by Guangdong Huijin were not in compliance with relevant thresholds prescribed by the Pawning Measures. According to the PRC Legal Adviser of the Company, Guangdong Huijin may subject to administrative penalty as a result of its past non-compliance; the maximum potential penalty that may be imposed by the relevant government authorities on the Group for such non-compliance would be an order to correct the non-compliance and a fine of up to RMB30,000 for each non-compliant transaction. As administrative penalty for illegal acts shall be imposed within two years from the date such illegal act is committed, no administrative penalty for the nine incidents of non-compliant transactions occurred during the two years ended 31 December 2011 shall be imposed after June 2013. As advised by the PRC Legal Adviser, customers of the non-compliant transactions are entitled to claim against Guangdong Huijin for overcharged interests and administrations fees within two years commencing from the full repayment of the pawn loans. All of the customers have signed confirmation letters and agree, among other things, not to take any action against Guangdong Huijin for their rights and entitlements in regard to the non-complaint loans granted by Guangdong Huijin.

As at the date of this report, the Directors confirm that the Group had not received any order to correct the non-compliance nor any notice of fine from the relevant PRC government authorities. To the best knowledge of the Directors, as at the date of this report, the Group had not received any claims against Guangdong Huijin from its customers for overcharged interests and administration fees in respect of the past non-compliance.

Since November 2010, to ensure ongoing compliance with the Pawning Measures and other relevant laws and regulations, the Group has implemented the following measures:

(i) in the loan approval process, the business team will fill in details of each loan application, including the party, amount, rate of administration fees and interest of each loan application, in order to ensure all loan application are in compliance with the Pawning Measures;

(ii) the risk management committee, with the assistance of the legal and compliance team, will cross-check the loan application, in particular the loan amount and the rate of interest and administration fees to be charged, to ensure compliance with the Pawning Measures;

(iii) the legal and compliance team will keep themselves aware of any changes to the official rate prescribed by the PBOC and notify the management if there may be any risk of breach of any of the threshold(s) prescribed by the Pawning Measures; and they will obtain updates on relevant laws and regulations from time to time and to check whether the existing practice is in compliance with these updates and if not, to conduct remedial measures; and

(iv) the Group will consult the external legal advisers and seek their advice on compliance matters as and when required.

For further details of the past non-compliance and ongoing compliance measures with the Pawning Measures, please refer to pages 147 to 152 of the Prospectus.

As at the date of this report, based on information and confirmation provided by or obtained from the Group, the independent non-executive Directors were satisfied that the Group have duly complied with the prescribed thresholds under the Pawning Measures for the year ended 31 December 2012.

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

As at 31 December 2012, the interests of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

	Number of Shares held			
Name of Director	Beneficial Interest	Interest of controlled corporation	Total	Approximate percentage (%)
Li Zhongyu	32,490,675 (L)	528,975,000 (L) *(Notes 2 and 3)*	561,465,675 (L)	55.02
Zheng Weijing	24,180,135 (L)	528,975,000 (L) *(Notes 2 and 3)*	553,155,135 (L)	54.20
Peng Zuohao	23,494,957 (L)	–	23,494,957 (L)	2.30

Notes:

1. The letter "L" denotes the Directors' long position in the Shares.

2. These shares were held by Silvery Dragon Limited, which was owned as to 72% by High Eminent Limited and as to 28% by Prime Origin Limited.

3. High Eminent Limited was owned as to 55% by Ding Rong Limited, a company wholly-owned by Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Zheng Weijing.

(ii) Interests in associated corporation – 廣東匯金典當股份有限公司 (Guangdong Huijin Pawn Stock Company Limited*) ("Guangdong Huijin")

Name of Director	Nature of interest	Equity interest	Approximate percentage of equity interest (%)
Li Zhongyu	Interest of controlled corporation *(Note 1)*	RMB71,240,000	70.53
Zheng Weijing	Interest of controlled corporation *(Note 1)*	RMB71,240,000	70.53
Peng Zuohao	Beneficial owner	RMB2,800,000	2.77

Note:

1. Such registered capital was contributed by 匯聯資產管理有限公司 (Huilian Assets Management Company Limited*) ("Huilian Assets Management"). 深圳市智匯投資諮詢有限公司 (Shenzhen Zhihui Investment Consulting Company Limited*) ("Shenzhen Zhihui") was interested in 72% of the entire equity interest of Huilian Assets Management. Shenzhen Zhihui was owned as to 55% by Li Zhongyu and as to 45% by Zheng Weijing.

(iii) Interests in associated corporation – Silvery Dragon Limited

Name of Director	Nature of interest	Number of Shares held (Note 1)	Shareholding percentage (%)
Li Zhongyu	Interest of controlled corporation *(Note 2)*	72 shares of US$1.00 each (L)	72.00
Zheng Weijing	Interest of controlled corporation *(Note 2)*	72 shares of US$1.00 each (L)	72.00

Notes:

1. The letter "L" denotes the Director's long position in the shares of the relevant associated cooperation.

2. These shares were held by High Eminent Limited, which was owned as to 55% by Ding Rong Limited, a company wholly-owned by Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Zheng Weijing.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 December 2012, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interests in the Company

Name of Shareholder	Nature of interest	Number of Shares held (Note 1)	Approximate percentage (%)
Silvery Dragon Limited	Beneficial owner	528,975,000 Shares (L)	51.83
High Eminent Limited	Interest of controlled corporation *(Note 2)*	528,975,000 Shares (L)	51.83
Ding Rong Limited	Interest of controlled corporation *(Notes 2 and 3)*	528,975,000 Shares (L)	51.83
Yang Qiao *(Note 4)*	Interest of spouse	561,465,675 Shares (L)	55.02
Ming Cheng Investments Limited	Interest of controlled corporation *(Notes 2 and 3)*	528,975,000 Shares (L)	51.83
Zhang Chushan *(Note 5)*	Interest of spouse	553,155,135 Shares (L)	54.20

Notes:

1. The letter "L" denotes the corporation/person's long position in the Shares.

2. These Shares were held by Silvery Dragon Limited, which was owned as to 72% by High Eminent Limited and as to 28% by Prime Origin Limited.

3. High Eminent Limited was owned as to 55% by Ding Rong Limited, a company wholly-owned by Li Zhongyu, and as to 45% by Ming Cheng Investments Limited, a company wholly-owned by Zheng Weijing.

4. Yang Qiao is the spouse of Li Zhongyu.

5. Zhang Chushan is the spouse of Zheng Weijing.

Save as disclosed above, as at 31 December 2012, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders of the Company on 20 December 2011 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Details of the Share Option Scheme are as follows:

1. Purpose of the Share Option Scheme	As incentive or rewards to eligible participants for their contribution to the Group.
2. Eligible participants of the Share Option Scheme	Any eligible employee (whether full-time or part-time, including any executive Director), any non-executive Director, any shareholder, any supplier and any customer of the Company or any of its subsidiaries or any entity in which any member of the Group holds any equity interest, and any other party having contribution to the development of the Group.
3. Total number of Shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2012	100,000,000 shares (approximately 9.80% of the total issued share capital as at 31 December 2012).
4. Maximum entitlement of each participant under the Share Option Scheme	Not exceeding 1% of the issued share capital of the Company for the time being in any 12-month period. Any further grant of options in excess of such limit must be separately approved by the Company's shareholders in general meeting.
5. The period within which the Shares must be taken up under an option	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee thereof.
6. The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Directors, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.
7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made	A remittance in favour of the Company of HK$1.00 on or before the date of acceptance (which may not be later than 21 days from the date of offer).
8. The basis of determining the exercise price	Being determined by the Directors and being not less than the highest of: a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; b. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and c. the nominal value of the Shares.
9. The remaining life of the Share Option Scheme	The Scheme is valid and effective for a period of 10 years commencing on 20 December 2011 (being the date of adoption of the Share Option Scheme).

No share option has been granted under the Share Option Scheme as at 31 December 2012.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

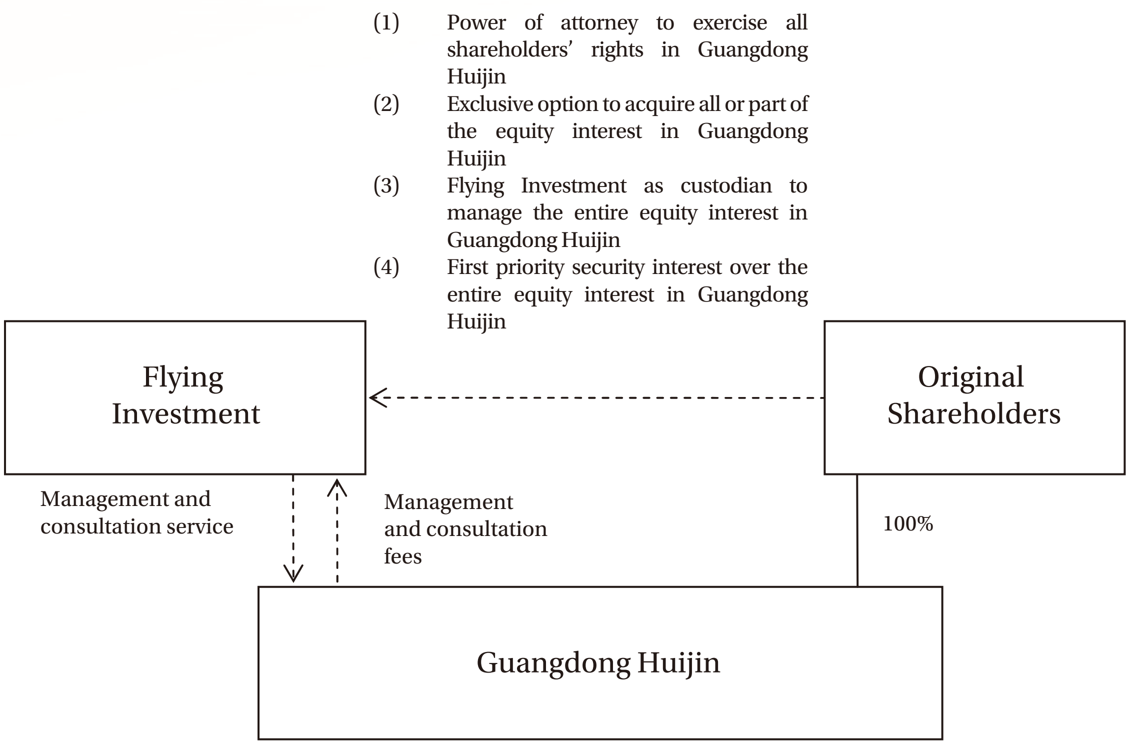
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Structure contracts

Arrangement under the Structured Agreements

The following simplified diagram illustrates the flow of economic benefits from Guangdong Huijin to Flying Investment stipulated under the the Exclusivity Agreement (as defined in the Prospectus and set out below), the Equity Pledge Agreement (as defined in the Prospectus and set out below), the Exclusive Option and Equity Custodian Agreement (as defined in the Prospectus and set out below), the Power of Attorney (as defined in the Prospectus and set out below) and the Supplemental Agreement (as defined in the Prospectus) (collectively, the "Structured Agreements"):



"———" denotes direct legal and beneficial ownerships in the equity interest and "------>" denotes contractual relationship.

Operation of the Structured Agreements

In accordance with the Structured Agreements, the Original Shareholders (as defined in the Prospectus), being immediate shareholders who are interested in, in aggregate, the entire equity interest in Guangdong Huijin, have granted an exclusive and irrevocable option to Flying Investment or its nominee(s) to acquire all or part of the equity interest in Guangdong Huijin held by the Original Shareholders as permitted by the then PRC laws and regulations. The Group has the intention to acquire Guangdong Huijin or the pawn business it is carrying on when PRC laws and regulations allow the operation of such business by foreign invested enterprises. When Flying Investment or its nominee(s) exercise the option and acquire all of the equity interest in Guangdong Huijin, the Structured Agreements will be terminated. Our PRC Legal Adviser confirmed that it is sufficient for all immediate shareholders of Guangdong Huijin (but not tracing to the ultimate beneficial owners of the corporate shareholders of Guangdong Huijin) to enter into the Structured Agreements. Subject to compliance with the PRC laws, Flying Investment or its nominee(s) may exercise the option mentioned above at any time and in any manner at their sole discretion.

The Structured Agreements, taken as a whole, enable the financial results of Guangdong Huijin and the economic benefits of its business to flow onto Flying Investment. In addition, all the directors, general manager and senior management staff of Guangdong Huijin (except those elected by the employee representatives) are to be nominated by Flying Investment. Through its control over and supervision of the directors, general manager and senior management of Guangdong Huijin, Flying Investment is able to effectively manage the business, financial and operating activities of Guangdong Huijin so as to obtain benefits from its activities and to ensure due implementation of the Structured Agreements. The Structured Agreements also enable Flying Investment to, if and when permitted by PRC law, acquire the equity interests in Guangdong Huijin in accordance with PRC law. The Directors are of the view that the Structured Agreements enable the Group to be managed coherently with the power to govern the business, financial and operating activities of Guangdong Huijin for the benefit of the Group as a whole. Based on the Structured Agreements, taken as a whole, the Directors consider that, notwithstanding the lack of equity ownership in Guangdong Huijin, our Group controls Guangdong Huijin in substance. On this basis, the Group is regarded as a continuing entity resulting from these Structured Agreements such that the financial position and operating results of Guangdong Huijin are included in the Group's consolidated financial statements.

The following is a summary of the principal terms of the Structured Agreements:

(1) Exclusivity Agreement

Flying Investment and Guangdong Huijin entered into the Exclusivity Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- Guangdong Huijin agreed to engage Flying Investment on an exclusive basis irrevocably to provide management and consultation services in connection with its operations, including but not limited to assisting in formulating the company management mode and operation plans, assisting in formulating market development plans, providing market information and customer source information, being appointed to conduct specific market research and investigation, providing staff training, assisting in establishing sales channel, providing management, financial or other services in relation to Guangdong Huijin's operations, assisting in locating suitable fund-raising channels for Guangdong Huijin's operational capital needs, assisting in provision of customer maintenance and management and assisting in provision to the clients of Guangdong Huijin of feasible fund-raising solutions and procuring the implementation of such solutions;

- unless Flying Investment consents in writing in advance, Guangdong Huijin shall not accept management and consultation services provided by any third party;

- the board of directors of Guangdong Huijin shall be nominated by Flying Investment, and such board of directors shall determine the corporate management and business development and expansion strategy of Guangdong Huijing according to the actual circumstances of its operations;

- Flying Investment shall be solely responsible for selection of Guangdong Huijin's senior management and employees, its finance, management and daily operations, and Guangdong Huijin shall comply with all directions and opinions from Flying Investment; and

- Guangdong Huijin shall pay to Flying Investment on a monthly basis (or other methods agreed by both parties), management and consultation fees equivalent to the total revenue less all the related costs, expenses and taxes payable by Guangdong Huijin. Flying Investment shall be entitled to appoint its employees or external auditors to inspect the financial conditions of Guangdong Huijin to audit the exact amount of the management and consultation fees.

The Exclusivity Agreement (as supplemented by the Supplemental Agreement) commenced from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

(2) Equity Pledge Agreement

Flying Investment, Guangdong Huijin and the Original Shareholders entered into the Equity Pledge Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- the Original Shareholders agreed to grant to Flying Investment a first priority security interest over all their respective direct equity interest in Guangdong Huijin and all related rights and revenue for guaranteeing the performance of obligations of the Original Shareholders and Guangdong Huijin under the Exclusivity Agreement and the Exclusive Option and Equity Custodian Agreement, such obligations include, among others, payment of management and consultation fees for the management and consultation service, interests, compensation etc.;

- during the term of the pledge, Flying Investment shall be entitled to all dividends or distribution in any other forms derived from the pledged equity interests and to exercise its right to deal with the pledged equity interest in a manner permitted by the relevant PRC laws if Guangdong Huijin and/or the Original Shareholders cannot fully perform their respective obligations under the Exclusivity Agreement and/or the Exclusive Option and Equity Custodian Agreement; and

- during the term of the Equity Pledge Agreement, the Original Shareholders shall not transfer, create or permit the existence of other security interest over the pledged equity interests in Guangdong Huijin without prior written consent of Flying Investment.

The Equity Pledge Agreement (as supplemented by the Supplemental Agreement) is effective from the date on which it has been executed by the parties thereto while the pledge created thereunder shall become effective upon such pledge having been duly registered in Guangdong Huijin's register of members and having been duly registered with the relevant Administration for Industry and Commerce of the PRC, and it will remain effective until the termination of either the Exclusivity Agreement (as supplemented by the Supplemental Agreement) or the Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement), whichever is later. The pledges under the Equity Pledge Agreement were duly registered on 5 August 2011 with 河源市工商行政管理局 (Heyuan Administration for Industry and Commerce Bureau).

(3) Exclusive Option and Equity Custodian Agreement

Flying Investment, Guangdong Huijin and the Original Shareholders entered into the Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- the Original Shareholders granted, at nil consideration, an exclusive and irrevocable option to Flying Investment or its nominee(s) to acquire all or part of the equity interest in Guangdong Huijin held by the Original Shareholders as permitted by the then PRC laws and regulations during the term of the Exclusive Option and Equity Custodian Agreement at nil consideration or the minimum amount as permitted by the applicable PRC laws. The Original Shareholders further covenant that if such minimum amount is required to be paid by Flying Investment or its nominee(s) to the Original Shareholders as consideration for the acquisition of the equity interest of Guangdong Huijin, such amount would be waived by the Original Shareholders subject to compliance with the then PRC laws and hence there should not be any cash outflow or adverse financial impact on our Group. If such option is exercised in full by Flying Investment or its nominee(s), our Group will be interested in the entire equity interest of Guangdong Huijin;

- subject to compliance with the PRC laws, Flying Investment or its nominee(s) may exercise the option mentioned above at any time and in any manner at their sole discretion;

- pending the acquisition of the entire equity interest in Guangdong Huijin by Flying Investment or its nominee(s), the Original Shareholders shall not, among other matters, transfer, pledge or grant a custodian right over such equity interest in Guangdong Huijin to any third parties without prior written consent of Flying Investment and Guangdong Huijin;

- the Original Shareholders, jointly and severally, irrevocably granted, at nil consideration, a right to Flying Investment or its nominee(s) to manage the entire equity interest in Guangdong Huijin as custodian during the term of the Exclusive Option and Equity Custodian Agreement;

- the Original Shareholders and Guangdong Huijin covenanted that, among others:

  (a) Flying Investment or its nominee(s) shall exercise all shareholders' right of the Original Shareholders in Guangdong Huijin, further details are set out in the paragraph headed "Power of Attorney" below;

  (b) Flying Investment shall have the exclusive right to nominate directors, general manager and other senior management staff of Guangdong Huijin, and the Original Shareholders shall appoint such nominees as directors, general manager and other senior management staff of Guangdong Huijin;

- During the term of the Exclusive Option and Equity Custodian Agreement, the Original Shareholders and Guangdong Huijin shall not engage in any transactions which will materially affect the assets, business, rights, operation or management of Guangdong Huijin without prior consent from Flying Investment, including but not limited to the following:

  (a) to amend the constitutional documents of Guangdong Huijin;

  (b) to increase or reduce the registered capital of Guangdong Huijin; and

  (c) during the term of the Exclusive Option and Equity Custodian Agreement, the Original Shareholders and/or Guangdong Huijin shall not transfer, mortgage, pledge or otherwise deal with the assets of Guangdong Huijin.

– in case of liquidation or dissolution of Guangdong Huijin, Flying Investment or its nominee(s) shall have the right to appoint a liquidator to manage the assets of Guangdong Huijin as permitted by the PRC laws and regulations.

The Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement) is effective from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

(4) Power of Attorney

Flying Investment and each of the Original Shareholders entered into the Power of Attorney (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters, Flying Investment or its nominee(s), including its directors (and their successors) were authorised by each of the Original Shareholders to exercise their respective shareholders' right in Guangdong Huijin including the rights to elect and change the directors and supervisors who are not elected by the employee representatives, the rights to decide the increase or reduction of the registered capital and the rights to receive or decline the dividends or other distribution on behalf of the Original Shareholders.

The Power of Attorney (as supplemented by the Supplemental Agreement) is effective from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

During the year ended 31 December 2012, Flying Investment was entitled to management and consultation fees of RMB5,079,824 from Guangdong Huijin in a manner as prescribed in the exclusive agreement (as supplemented by the supplemental agreement) on 1 August 2011. The management and consultation fees are equivalent to the total revenue less all the related costs, expenses and taxes payable by Guangdong Huijin as extracted from the audited financial statements of Guangdong Huijin for the year ended 31 December 2012 ("Audited Financial Statements of Huijin"). The management fee of RMB5,079,824 was received by Flying Investment on 25 February 2013. According to the Audited Financial Statements of Huijin, no dividend or other distribution had been made for the year ended 31 December 2012 by Guangdong Huijin.

The independent non-executive Directors have reviewed the Structured Agreements and confirmed that: (i) the transactions carried out during the year ended 31 December 2012 have been entered into in accordance with the relevant provisions of the Structured Agreements, have been operated so that the revenue generated by Guangdong Huijin has been substantially retained by Flying Investment; (ii) no dividends or other distributions have been made by Guangdong Huijin to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) any new contracts entered into, renewed or reproduced between the Group and Guangdong Huijin during the year ended 31 December 2012 are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

The Company's auditors have carried out review procedures on the transactions carried out pursuant to the Structured Agreements and confirmed that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Agreements and that no dividends or other distributions have been made by Guangdong Huijin to the holders of its equity interests which are not otherwise subsequently assigned/transferred to the Group.

For the purposes of Chapter 20 of the GEM Listing Rules, and in particular the definition of "Connected Person", Guangdong Huijin has been treated as the Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Guangdong Huijin and their respective associates has been treated as the Company's "Connected Persons" and transactions between these Connected Persons and the Group other than those under the Structured Agreements shall comply with Chapter 20 of the GEM Listing Rules.

Guangdong Huijin and each of the Original Shareholders have undertaken that, for so long as the Shares are listed on GEM, Guangdong Huijin and each of the Original Shareholders will provide the Group's management and the Company's auditors with full access to its relevant records for the purpose of the Company's auditors' review of the connected transactions.

BANK LOANS AND OTHER BORROWING

No bank loans and other borrowings were incurred by the Group as at 31 December 2012.

INTEREST CAPITALISED

No interest was capitalised by the Group during the financial year ended 31 December 2012.

THREE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three years is set out on page 86 of this annual report.

RELATED PARTY TRANSACTIONS

Save for the transactions disclosed under "Non-exempt Continuing Connected Transactions", details of the material related party transactions entered into by the Group are set out in note 28 to the consolidated financial statements which do not constitute notifiable connected transactions under the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

CONFIRMATION OF INDEPENDENCE

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

INTEREST OF COMPLIANCE ADVISER

As notified by GF Capital (Hong Kong) Ltd ("GF Capital"), the Company's compliance adviser, neither GF Capital nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2012.

The Audit Committee was established by the Board on 20 December 2011. The role, function and composition of the Audit Committee are set out on page 20 of this annual report.

The Group's consolidated results for the year ended 31 December 2012 have been reviewed by the Audit Committee. The Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Board is of the view that the Company has met the code provisions set out in the then Appendix 15, "Code on Corporate Governance Practices" issued by the Stock Exchange in effect before 1 April 2012 and in the revised Appendix 15, "Corporate Governance Code and Corporate Governance Report" of the GEM Listing Rules which came into effect on 1 April 2012. A report on the principal corporate governance practices adopted by the Company is set out on pages 15 to 25 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2012 have been audited by BDO Limited, who will retire and a resolution to re-appoint BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Li Zhongyu
Chairman

Hong Kong, 19 March 2013

Independent Auditor's Report

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TO THE SHAREHOLDERS OF FLYING FINANCIAL SERVICE HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Flying Financial Service Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 43 to 85, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Joanne Y.M. Hung
Practising Certificate Number P05419
Hong Kong, 19 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	8	**94,630**	86,799
Other income	8	**413**	172
Employee benefit expenses	10	**(9,625)**	(3,858)
Administrative expenses		**(26,657)**	(16,199)
Finance costs	9	**(54)**	(468)
Profit before income tax	10	**58,707**	66,446
Income tax expense	12	**(17,470)**	(17,949)
Profit for the year		**41,237**	48,497
Other comprehensive income			
– Exchange differences on translating foreign operation		**84**	230
Total comprehensive income for the year		**41,321**	48,727
Profit for the year attributable to:			
Owners of the Company		**41,409**	48,497
Non-controlling interests		**(172)**	–
		41,237	48,497
Total comprehensive income attributable to:			
Owners of the Company		**41,493**	48,727
Non-controlling interests		**(172)**	–
		41,321	48,727
Earnings per share – Basic and diluted (RMB cents)	15	**4.47**	6.47

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**1,805**	913
Other investments	*17*	**10,200**	–
Deferred tax asset		**114**	–
		12,119	913
Current assets			
Loan and account receivables	*18*	**228,874**	124,435
Deposits, prepayments and other receivables	*19*	**3,118**	4,455
Cash and cash equivalents	*21*	**141,417**	87,571
		373,409	216,461
Current liabilities			
Receipt in advance, accruals and other payables	*22*	**10,668**	5,357
Amounts due to non-controlling interests	*20*	**2,271**	–
Borrowings	*23*	**–**	12,290
Provision for taxation		**18,376**	17,131
		31,315	34,778
Net current assets		**342,094**	181,683
TOTAL ASSETS LESS CURRENT LIABILITIES/NET ASSETS		**354,213**	182,596
EQUITY			
Equity attributable to owners of the Company			
Share capital	*24*	**83,165**	1
Reserves	*25*	**271,213**	182,595
Equity attributable to owners of the Company		**354,378**	182,596
Non-controlling interests		**(165)**	–
TOTAL EQUITY		**354,213**	182,596

On behalf of the Board on 19 March 2013

Li Zhongyu
Director

Zheng Weijing
Director

Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*26*	**2**	–
Current assets			
Amounts due from subsidiaries	*20*	**96,250**	–
Prepayments		**38**	3,358
Cash and cash equivalents	*21*	**29,007**	99
		125,295	3,457
Current liabilities			
Accruals		**295**	–
Amounts due to subsidiaries	*20*	**2,632**	3,554
		2,927	3,554
Net current assets/(liabilities)		**122,368**	(97)
TOTAL ASSETS LESS CURRENT LIABILITIES/NET ASSETS/(LIABILITIES)		**122,370**	(97)
EQUITY			
Share capital	*24*	**83,165**	1
Reserves	*25*	**39,205**	(98)
TOTAL EQUITY/CAPITAL DEFICIENCY		**122,370**	(97)

On behalf of the Board on 19 March 2013

Li Zhongyu
Director

Zheng Weijing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Equity contributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital RMB'000	Share premium RMB'000 *(note 25 (c)(i))*	Merger reserve RMB'000 *(note 25 (c)(iii))*	Statutory reserve RMB'000 *(note 25 (c)(ii))*	Exchange reserve RMB'000 *(note 25 (c)(iv))*	Retained profits RMB'000	Dividend proposed RMB'000	Total RMB'000	RMB'000	RMB'000
At 1 January 2011	1	–	116,659	3,680	–	33,729	–	154,069	–	154,069
Dividend paid – Transactions with owner *(note 13)*	–	–	–	–	–	(20,200)	–	(20,200)	–	(20,200)
Profit for the year	–	–	–	–	–	48,497	–	48,497	–	48,497
Other comprehensive income for the year	–	–	–	–	230	–	–	230	–	230
Total comprehensive income for the year	–	–	–	–	230	48,497	–	48,727	–	48,727
Transfer to statutory reserve	–	–	–	3,717	–	(3,717)	–	–	–	–
At 31 December 2011 and 1 January 2012	1	–	116,659	7,397	230	58,309	–	182,596	–	182,596
Transactions with owners:										
Share capitalisation	61,117	(61,117)	–	–	–	–	–	–	–	–
Issue of ordinary shares by Placing	20,372	112,049	–	–	–	–	–	132,421	–	132,421
Issue of ordinary shares by exercising Over-allotment Option	1,675	9,213	–	–	–	–	–	10,888	–	10,888
Share issue costs	–	(13,020)	–	–	–	–	–	(13,020)	–	(13,020)
	83,164	47,125	–	–	–	–	–	130,289	–	130,289
Profit for the year	–	–	–	–	–	41,409	–	41,409	(172)	41,237
Other comprehensive income for the year	–	–	–	–	84	–	–	84	–	84
Total comprehensive income for the year	–	–	–	–	84	41,409	–	41,493	(172)	41,321
2012 final dividend *(note 13)*	–	(24,950)	–	–	–	–	24,950	–	–	–
Capital contribution by non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	7	7
Transfer to statutory reserve	–	–	–	4,588	–	(4,588)	–	–	–	–
At 31 December 2012	83,165	22,175	116,659	11,985	314	95,130	24,950	354,378	(165)	354,213

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Cash flows from operating activities		
Profit before income tax	58,707	66,446
Adjustments for:		
Bank interest income	(376)	(165)
Interest expenses	54	468
Depreciation of property, plant and equipment	938	94
Operating profit before working capital changes	59,323	66,843
Increase in loan and account receivables	(104,439)	(66,615)
Decrease in deposits, prepayments and other receivables	1,337	41,155
Increase in receipt in advance, accruals and other payables	5,311	3,744
Cash (used in)/generated from operations	(38,468)	45,127
Income tax paid	(16,339)	(12,902)
Net cash (used in)/generated from operating activities	(54,807)	32,225
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,831)	(947)
Decrease in amounts due from shareholders	–	30,290
Purchase of held-to-maturity investments	(4,000)	–
Purchase of available-for-sale investments	(6,200)	–
Interest received	376	165
Net cash (used in)/generated from investing activities	(11,655)	29,508
Cash flows from financing activities		
Proceed from issue of ordinary shares	143,309	–
Capital contribution from non-controlling interests	7	–
Increase in amounts due to non-controlling interests	2,271	–
Dividends paid	–	(20,200)
Interest paid	(54)	(468)
Decrease in amounts due to shareholders	–	(2,268)
Drawdown of other loans	–	52,290
Repayment of other loans	(12,290)	(40,000)
Share issue costs	(13,020)	–
Net cash generated from/(used in) financing activities	120,223	(10,646)
Net increase in cash and cash equivalents	53,761	51,087
Cash and cash equivalents at beginning of the year	87,571	36,254
Effect of foreign exchange rates, net	85	230
Cash and cash equivalents at end of the year	141,417	87,571

1. GENERAL

Flying Financial Service Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2011. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 May 2012.

The Group, comprising the Company and its subsidiaries, currently engages in provision of pawn loans, entrusted loans, other loans and financial consultancy services. The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 26.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Ding Rong Limited, a limited liability company incorporated in the British Virgin Islands ("BVI").

2. THE REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a group reorganisation exercise (the "Reorganisation Exercise") carried out by the Group to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company became the holding company of the subsidiaries comprising the Group. This was accomplished by the following steps:

(a) Incorporation of eighteen holding companies in the BVI as the investing vehicles of the shareholders of Guangdong Huijin Pawn Stock Company Limited ("Guangdong Huijin")

To mirror the shareholding structure in Guangdong Huijin, the original shareholders or the beneficial owners of the original shareholders of Guangdong Huijin established eighteen holding companies in the BVI or their original interests of Guangdong Huijin are held on trust by other shareholders.

(b) Incorporation of the Company

On 4 May 2011, the Company was incorporated under the Companies Law as an exempted company with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each. On 4 May 2011, the Company issued and allotted 1 ordinary share as fully paid to Codan Trust Company (Cayman) Limited, which was transferred to Ying Gao Limited ("Ying Gao") on the same date. The Company also issued and allotted as fully paid another 2,946 ordinary shares to Ying Gao and 7,053 ordinary shares to Silvery Dragon Limited.

Taking into account the additional 3 ordinary shares issued and allotted as fully paid to Ying Gao to rationalise the rounding discrepancy, the shareholding structure of the Company mirrors that of Guangdong Huijin.

(c) Incorporation of Expand Wealth Limited ("Expand Wealth")

On 29 March 2011, Expand Wealth was incorporated in the BVI for the purpose of acting as the intermediate company of the Group with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 11 May 2011, one ordinary share of US$1.00 was issued and allotted to the Company.

2. THE REORGANISATION AND BASIS OF PRESENTATION (Continued)

(d) Incorporation of Sunny Sino Holdings Limited ("Sunny Sino")

Sunny Sino was incorporated in Hong Kong on 23 February 2011. The issued share capital of Sunny Sino was HK$10,000 divided into 10,000 shares of HK$1.00 each, among which one share was issued and allotted to Cartech Limited ("Cartech") at incorporation. Cartech transferred the one share in Sunny Sino to Expand Wealth on 15 April 2011.

(e) Establishment of Flying Investment Services (Shenzhen) Limited ("Flying Investment")

Flying Investment was established by Sunny Sino in the People Republic of China (the "PRC") on 23 May 2011 with an initial registered capital of HK$10,500,000 and an initial investment amount of HK$15,000,000. The Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC and the business license were granted to Flying Investment on 19 May 2011 and 23 May 2011 respectively.

(f) Contractual arrangement with Guangdong Huijin

PRC laws and regulations currently limit foreign ownership of pawn loan providers in the PRC. Therefore, the shareholding structure of Guangdong Huijin remains unchanged after the Reorganisation Exercise. To establish control of Flying Investment over Guangdong Huijin, both companies have the same group of ultimate shareholders, entered into the exclusivity agreement as supplemented by the supplemental agreement (collectively "Exclusivity Agreement") to confer the Company, through Flying Investment, the power and authority to exercise control over Guangdong Huijin. In addition, Flying Investment also entered into the equity pledge agreements as supplemented by the supplemental agreement (collectively "Equity Pledge Agreements") and exclusive option and equity custodian agreements as supplemented by the supplemental agreement (collectively "Exclusive Option and Equity Custodian Agreements") with Guangdong Huijin and its equity holders. Flying Investment and the equity shareholders of Guangdong Huijin also entered into the Power of Attorney, pursuant to which, Flying Investment was authorised to exercise the voting rights in Guangdong Huijin. The above mentioned agreements were signed on 1 August 2011 and 28 December 2011 and collectively referred to as "Contractual Arrangements". The Contractual Arrangements were entered into in order for the Group to manage and operate the business of Guangdong Huijin in the PRC, under which all the business, financial and operating activities of Guangdong Huijin are managed and operated by Flying Investment and all economic benefits and risks arising from the business, financial and operating activities of Guangdong Huijin are transferred to Flying Investment by means of management and consultation fees payable by Guangdong Huijin to Flying Investment. Further details of the Contractual Arrangements are set out in the paragraph headed "Structure Agreements" to the prospectus of the Company dated 20 April 2012 (the "Prospectus") in connection with the listing.

Subsequent to the Reorganisation Exercise, on 7 May 2012, the Company allotted and issued 250,000,000 ordinary Shares of HK$0.1 each upon listing of Shares on the GEM of the Stock Exchange at a price of HK$0.65 each ("the Placing") according to the written resolutions of all shareholders passed on 20 December 2011. On 6 June 2012, the Company exercised the over allotment option. The Company allotted and issued 20,555,000 ordinary Shares of HK$0.1 each at a price of HK$0.65 each. The total number of ordinary Shares after the Placing and exercising of the over-allotment option as at 31 December 2012 was 1,020,555,000.

The Contractual Arrangements enable the Company to exercise control over Guangdong Huijin. The Contractual Arrangements, taken as a whole, permit the financial results of Guangdong Huijin and economic benefits of its business to flow to Flying Investment. In addition, all the directors and top management in Guangdong Huijin should be assigned by Flying Investment. Through the Contractual Arrangements, Flying Investment is able to monitor, supervise and control Guangdong Huijin's business, financial and operating policies so as to obtain benefits from its activities.

2. THE REORGANISATION AND BASIS OF PRESENTATION (Continued)

The Group resulting from the Reorganisation Exercise is regarded as a continuing entity since all of the entities which took part in the Reorganisation Exercise were controlled by Mr Li Zhongyu (the "Controlling Shareholder") before and immediately after the Reorganisation Exercise, and the control is not transitory. Consequently, there was a continuation of the risks and benefits to the Controlling Shareholder. Since the Reorganisation Exercise is a business combination under common control of the Controlling Shareholder which do not include commercial substance, therefore merger method is considered more appropriate to reflect the controlling party's continuing interests in the Group. Accordingly, the consolidated financial statements of the Group have been prepared by adopting the merger basis of accounting. Under this method, the Company is treated as the holding company of its subsidiaries throughout the financial years presented rather than from the date of acquisition of the subsidiaries. The consolidated financial statements of the Group have been prepared as if the Company has always been the holding company of the Group. The results of the Group have been prepared if the Company has always been the holding company of the Group. The results of the Group therefore included the results of the Company and its subsidiaries with effect from 1 January 2011 or since their respective dates of incorporation/establishment, where it is a shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results, cash flow and financial position of the Group as a whole.

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for first-time Adopters
Amendments to HKFRS 7	Disclosure – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interest in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statement[2]
HKAS 19 (2011)	Employee Benefit[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2009–2011 Cycle

The improvements made amendments to four standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investments entities. The amendments are applied retrospectively subject to certain transitional provisions.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit and loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

4. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong Dollar ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Except for those acquisitions which qualify as common control combination, which are accounted for using merger accounting, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvement	Over the leases term but not exceeding 5 years
Furniture, fixtures and office equipment	3 years
Motor vehicle	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale investments

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables or held-to-maturity investments

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale investments

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments (Continued)

(iii) Financial liabilities

The Group's financial liabilities included accruals, other payable, amounts due to subsidiaries and non-controlling interests and borrowing.

Financial liabilities are recognised initially at their fair value, net of directly attributable transaction cost incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(e) Revenue Recognition

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

Interest income (as the case may be, including the administration fees that are an integral part of the effective interest rate) from financing service and a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Consultancy service fee income is recognised using the percentage of completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(g) Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Employee benefits

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(i) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(l) Leasing

Assets that are held by the Group under leases which transfer to the Group 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 Group are classified as operating leases.

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(m) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group 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 entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(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 key management personnel of the entity (or of a parent of the entity).

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Related parties (Continued)

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(n) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of capital are deducted from capital (net of any related income tax benefit) to the extend they are incremental costs directly attributable to the equity transaction.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(p) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

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

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

(a) Critical judgments in applying accounting policies

(i) Held-to-maturity investments

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity. Directors exercise judgment based on the Group's treasury objective and financial risk management policy to determine whether the financial assets are to be classified as held-to-maturity.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (Continued)

(a) Critical judgments in applying accounting policies (Continued)

(ii) Impairment of available-for-sale investments

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The equity investments of the Group was stated at cost because the variability in the range of reasonable fair value estimated was so significant that the directors were of the opinion that the fair value could not be measured reliably. The amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial assets.

(iii) Subsidiary

As detailed in note 2(f), Guangdong Huijin is accounted for as a subsidiary as a consequence of the Contractual Agreements. Significant judgments have been exercised by the management in accessing and concluding the Guangdong Huijin is a subsidiary of the Group.

(iv) Income tax

The Group is subject to income taxes in different jurisdictions. Significant judgment is involving in determining the provision for income taxes. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(b) The key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(ii) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(iii) Stage of completion of consultancy services

Revenue from consultancy services is recognised according to the percentage of completion of consultancy services. The revenue recognition on an uncompleted consultancy service is dependent on estimating the total work to be performed of the consultancy contract, as well as the work done to date. In order to ensure that the percentage of completion of consultancy services is accurate and up-to-date, the management frequently reviews and estimates the progress of the consultancy services rendered based on their past experience and the nature of the consultancy service provided by the Group.

7. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decision.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's executive directors in order to allocate resources and assess performance of the segment. Before 23 May 2011, the executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in provision of pawn loans, entrusted loans and financial consultancy services which is the basis to allocate resources and assess performance. From 23 May 2011 onwards, the pawn loans business and entrusted loans and financial consultancy services business are managed separately, thus the Group has two reportable segments. No corresponding segment information for 2011 is presented as the information is not available and the cost to develop it would be excessive. The segment information of the Group from 23 May 2011 to 31 December 2011 are not presented as the period was short and such information are not meaningful. The following summary describe the operations in each of the Group's reportable segments:

- Pawn loan services – short-term small loan offer;
- Financial consultancy and entrusted loan services – short-term large loan offer and consultation services to borrower and financial institutions.

Segment information about reportable segments:

	Pawn loan services RMB'000	Financial consultancy and entrusted loan services RMB'000	Total RMB'000
For the year ended 31 December 2012			
Revenue from external customers	15,386	79,244	94,630
Reportable segment profit	7,092	60,490	67,582
Other income	115	255	370
Finance costs	–	54	54
Depreciation	653	285	938
Capital expenditure	664	1,080	1,744
Income tax expenses	1,738	15,729	17,467
As at 31 December 2012			
Reportable segment assets	86,121	252,231	338,352
Additions to non-current assets	739	7,120	7,859
Reportable segment liabilities	2,730	7,626	10,356

7. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	2012 RMB'000
Revenue	
Revenue from external customers	**94,630**
Profit before income tax expense	
Reportable segment profit	**67,582**
Other income	**413**
Depreciation	**(938)**
Unallocated corporate expenses	**(8,296)**
Finance costs	**(54)**
Consolidated profit before income tax expense	**58,707**
Assets	
Reportable segment assets	**338,352**
Held-to-maturity investments	**4,000**
Available-for-sale investments	**6,200**
Deferred tax expense	**114**
Unallocated corporate assets	**36,862**
Consolidated total assets	**385,528**
Liabilities	
Reportable segment liabilities	**10,356**
Current tax liabilities	**18,376**
Unallocated corporate assets	**2,583**
Consolidated total liabilities	**31,315**

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is mainly sourced from the PRC.

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue:

	2012 RMB'000	2011 RMB'000
Customer A	**N/A**	14,243
Customer B	**–**	9,467
Customer C	**13,355**	N/A
Customer D	**10,523**	N/A

N/A: transactions during the year did not exceed 10% of the Group's revenue.

8. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the income from its principal activities. Revenue and other income recognised during the year are as follows:

	2012 RMB'000	2011 RMB'000
Revenue		
Interest income	**44,177**	41,933
Consultancy service income	**50,453**	44,866
	94,630	86,799
Other income		
Bank interest income	**376**	165
Others	**37**	7
	413	172

9. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest charges on:		
Other loans wholly repayable within one year	**54**	468

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2012 RMB'000	2011 RMB'000
Auditor's remuneration	**333**	14
Depreciation of property, plant and equipment	**938**	94
Employee benefit expenses (including directors' remuneration)		
Salaries and wages	**8,972**	3,429
Pension scheme contributions – Defined contribution plans	**653**	429
	9,625	3,858
Operating lease charges in respect of properties	**3,963**	1,958

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The remuneration of each of the directors for the year is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2011				
Executive directors:				
Mr Li Zhongyu	–	205	16	221
Mr Peng Zuohao	–	211	16	227
Mr Zheng Weijing	–	201	16	217
	–	617	48	665
Independent non-executive directors:				
Mr Vincent Cheng	–	–	–	–
Mr Ji Dong	–	–	–	–
Mr Zhang Gongjun	–	–	–	–
	–	–	–	–
Total	–	617	48	665
Year ended 31 December 2012				
Executive directors:				
Mr Li Zhongyu	**–**	**371**	**–**	**371**
Mr Peng Zuohao	**–**	**427**	**–**	**427**
Mr Zheng Weijing	**–**	**371**	**–**	**371**
	–	**1,169**	**–**	**1,169**
Independent non-executive directors:				
Mr Vincent Cheng	**–**	**97**	**–**	**97**
Mr Lu Quanzhang	**–**	**37**	**–**	**37**
Mr Ji Dong	**–**	**65**	**–**	**65**
Mr Zhang Gongjun	**–**	**97**	**–**	**97**
	–	**296**	**–**	**296**
Total	**–**	**1,465**	**–**	**1,465**

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Mr Lu Quanzhang was appointed as the independent non-executive director of the Company on 16 August 2012 and Mr Ji Dong was resigned as the independent non-executive director on the same date. There were no fees or other emoluments payable to independent non-executive directors during the year.

(b) Five highest paid individuals

The five highest paid individuals of the Group included three directors (2011: three) for the year ended 31 December 2012.

The analysis of the emolument of the remaining two (2011: two) highest paid individuals, whose emoluments are in the band of Nil to RMB1,000,000, were as below:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	**1,207**	506
Pension scheme contributions	**63**	10
	1,270	516

(c) During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(d) The emoluments paid or payable to members of senior management were within the following bands:

	2012 No. of individuals	2011 No. of individuals
Nil to RMB1,000,000	**3**	3

12. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Hong Kong Profits Tax		
– Current year	**888**	–
PRC Enterprise Income Tax		
– Current year	**16,696**	17,949
	17,584	17,949
Deferred tax	**(114)**	–
	17,470	17,949

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong Profits Tax is calculated at 16.5% (2011: nil) on the estimated assessable profit for the year.

Enterprise income tax ("EIT") arising from the PRC for the year was calculated at 25% (2011: 25%) of the estimated assessable profits during the year. According to the EIT law, the taxable income of an enterprise shall be the total revenue of such enterprise, deducted by any non-assessable revenue, exempted revenue, other deductions and amount of offsetting any accumulated losses.

A reconciliation of the income tax expense applicable to profit before income tax at the statutory tax rate to the income tax expense at the effective tax rate for each of the year is as follows:

	2012 RMB'000	2011 RMB'000
Profit before income tax	**58,707**	66,446
Tax calculated at the domestic tax rate of 25% (2011: 25%)	**14,677**	16,611
Effect of difference tax rates of subsidiaries operating in other jurisdictions	**167**	–
Tax effect of non-deductible expenses	**2,189**	1,210
Tax effect of tax losses not recognised	**526**	–
Others	**(89)**	128
Income tax expense	**17,470**	17,949

12. INCOME TAX EXPENSE (Continued)

As at 31 December 2012, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised is approximately RMB5,172,000 (2011: RMB1,220,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group has accumulated tax losses arising in Hong Kong and the PRC of approximately RM2,526,000 and RMB438,000 respectively. Deferred tax assets have not been recognised in respect of these losses as it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Such loss can be carried forward indefinitely. Deferred tax assets recognised during the year represents the temporary difference relating to the property, plant and equipment.

13. DIVIDENDS

	2012 **RMB'000**	2011 RMB'000
Special interim dividend	–	20,200
Final dividend – HK3 cents (2011: nil) per ordinary share	**24,950**	–
	24,950	20,200

Special interim dividend of approximately RMB20,200,000 represented dividend paid by a subsidiary to its then equity owners for the year ended 31 December 2011.

At a meeting held on 19 March 2013, the directors recommended a final dividend of HK3 cents per ordinary share, amounting to approximately RMB24,949,508 (equivalent to HK$30,616,650) for the year ended 31 December 2012, and the proposal will be submitted for formal approval by the shareholders at the forthcoming annual general meeting held on 30 April 2013. This final dividend will be reflected as an appropriation of share premium for the year ending 31 December 2013.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes a loss of approximately RMB7,793,000 (2011: RMB98,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculations of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB41,409,000 (2011: RMB48,497,000) and the weighted average number of 925,468,479 (2011: 750,000,000) ordinary shares during the year, assuming that 750,000,000 shares issued pursuant to the Reorganisation had been issued throughout both years.

(b) Diluted earnings per share

There were no potential ordinary shares in issue for the years ended 31 December 2012 and 2011. Accordingly, the diluted earnings per share presented is the same as basic earnings per share for both years.

16. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Furniture, fixtures and office equipment RMB'000	Motor vehicle RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost:				
At 1 January 2011	64	–	–	64
Additions	947	–	–	947
At 31 December 2011 and 1 January 2012	1,011	–	–	1,011
Additions	411	342	1,078	1,831
Exchange realignment	–	–	–	–
At 31 December 2012	1,422	342	1,078	2,842
Accumulated depreciation:				
At 1 January 2011	4	–	–	4
Charged for the year	94	–	–	94
At 31 December 2011 and 1 January 2012	98	–	–	98
Charged for the year	383	17	538	938
Exchange realignment	1	–	–	1
At 31 December 2012	482	17	538	1,037
Net carrying amount:				
At 31 December 2012	940	325	540	1,805
At 31 December 2011	913	–	–	913

17. OTHER INVESTMENTS – GROUP

	2012 RMB'000	2011 RMB'000
Held-to-maturity investments *(note a)*	**4,000**	–
Available-for-sale investments *(note b)*	**6,200**	–
	10,200	–

Notes:

(a) The held-to-maturity investments bore fixed interest rates at 9.5% to 11% per annum and have maturities ranging from 2 to 3 years.

(b) One of the available-for-sale investments represented unlisted equity investments of RMB4,200,000 as at 31 December 2012. The other available-for-sale investment represented an investment cost of RMB2,000,000 bore fixed interest rate at 9.5% per annum for 24 months with a put option right after 18 months.

The fair value of unlisted equity securities was not disclosed as the fair value cannot be measured reliably. There was no open market on the unlisted investment and the management has no intention to dispose of such investment at reporting date.

18. LOAN AND ACCOUNT RECEIVABLES – GROUP

	2012 RMB'000	2011 RMB'000
Pawn loan receivables, gross and net	**80,000**	37,500
Entrusted loan receivables, gross and net	**143,000**	86,500
Consultancy fee receivables, gross and net	**4,973**	–
Interest receivables, gross and net	**901**	435
	228,874	124,435

For pawn loan receivables, customers are obliged to settle the amounts according to the terms set out in relevant contracts, with an option to renew the loan granted for a period up to 183 days. Interest rates are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The pawn loan receivables charged interests at effective interest rates ranging from 2.9% to 3.0% (2011: 2.8% to 3.2%) per month as at 31 December 2012 and the maturity date for each loan contract is not more than 183 days.

18. LOAN AND ACCOUNT RECEIVABLES – GROUP (Continued)

For entrusted loan receivables, it represented the loans from the Group to customers through certain banks in the PRC. In an entrusted loan arrangement, the Group entered into loan agreements with the customers and banks. The customers repaid the loan to the bank and then the bank returned the principal and accrued interests to the Group. While the bank exercises supervision over and receives repayment from the borrowers, the bank does not assume any risk of default in repayment by the borrowers. The entrusted loan receivables charged interests at effective interest rates at ranging from 1.8% to 1.9% (2011: 2%) per month as at 31 December 2012. The maturity date for each loan contract is normally not more than 183 days with a renewal option.

For consultancy fee receivables, customers are obliged to settle the amounts according to the terms set out in relevant contracts and with no credit period.

For interest receivables, customers are obliged to settle the amounts according to the terms set out in relevant loan contracts and with no credit period.

The Group's loan and account receivables relate to a large number of diversified customers and there is no significant concentration of credit risk. At 31 December 2012, there were no allowances for bad and doubtful debts provided as there was no recent history of significant default in respect of these customers (2011: Nil).

Based on the loan starting date as stated in the relevant contracts, ageing analysis of the Group's loan and account receivables as of each reporting date is as follows:

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**80,677**	45,435
31 to 90 days	**55,160**	72,500
91 to 180 days	**73,000**	6,500
Over 180 days	**20,037**	–
	228,874	124,435

Ageing analysis of the Group's loan and account receivables that were not impaired is as follows:

	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**228,874**	124,435

18. LOAN AND ACCOUNT RECEIVABLES – GROUP (Continued)

Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Independent third parties provided surety to certain pawn loan and entrusted loan receivables. As at 31 December 2011, a company majority owned by Shenzhen Lianhe Auction Company Limited, in which the Group's shareholders are the major shareholders of this company, provided surety to two entrusted loans amounted to RMB11,500,000.

The Group holds collaterals over the pawn loan and certain entrusted loan receivables and the bank holds certain collaterals over the entrusted loan receivables on behalf of the Group. At the end of each reporting date, the fair value of the pledged assets in respect of all loan receivables is as follows:

	2012 **RMB'000**	2011 RMB'000
Equities	**700,045**	32,854
Properties	**156,651**	287,257
	856,696	320,111

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES – GROUP

	2012 **RMB'000**	2011 RMB'000
Deposits	**1,337**	631
Prepayments	**674**	3,824
Other receivables *(note (a))*	**1,107**	–
	3,118	4,455

Note:

(a) Balance represented advances to third parties. The balances were unsecured, interest free, and repayable on demand.

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES/NON-CONTROLING INTERSTS – GROUP AND COMPANY

The balances due were unsecured, interest free and repayable on demand.

21. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

Cash and cash equivalents represented cash in hand and bank balance. As at 31 December 2012, the Group has cash and cash equivalents denominated in RMB amounting to approximately RMB84,973,000 (2011: RMB77,919,000) and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

22. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES – GROUP

	2012 **RMB'000**	2011 RMB'000
Receipt in advance	**8,808**	3,709
Accruals	**979**	364
Other payables	**881**	1,284
	10,668	5,357

23. BORROWINGS – GROUP

	2012 **RMB'000**	2011 RMB'000
Current and repayable within one year		
Other loan, unsecured	**–**	12,290

Other loan was denominated in HK$ and bore interest at fixed rate at 1.2% per annum, which was the effective interest rate at 31 December 2011. The loan was fully settled during the year.

24. SHARE CAPITAL

	2012 Number of ordinary shares '000	2012 Amount RMB'000	2011 Number of ordinary shares '000	2011 Amount RMB'000
Authorised:				
Ordinary share of HK$0.1 each				
At 1 January 2012 or date of incorporation *(note (a))*	**1,000**	**81**	1,000	81
Increase of share capital *(note (b))*	**4,999,000**	**407,369**	–	–
	5,000,000	**407,450**	1,000	81
Issued and fully paid:				
Ordinary share of HK$0.1 each				
At 1 January 2012 or date of incorporation	**10**	**1**	10	1
Shares capitalisation *(note (c))*	**749,990**	**61,117**	–	–
Issue of ordinary shares by placing *(note (d))*	**250,000**	**20,372**	–	–
Issue of ordinary shares by exercising over–allotment option *(note (e))*	**20,555**	**1,675**	–	–
	1,020,555	**83,165**	10	1

During the year, the movements in share capital of the Company were as follows:

(a) Upon incorporation on 4 May 2011, the authorised share capital of the Company was HK$100,000 divided into 1,000,000 shares of HK$0.1 each. 10,000 ordinary shares were issued and allotted upon incorporation.

(b) Pursuant to the resolutions in writing of all shareholders passed on 20 December 2011, the authorised share capital of the Company was increased from HK$100,000 to HK$500,000,000 by the creation of 4,999,000,000 new shares.

(c) Pursuant to the resolutions in writing of all shareholders passed on 20 December 2011, the directors were authorised to capitalise an amount of approximately RMB61,117,000 (equivalent to HK$74,999,000) standing to the credit of the share premium account of the Company by applying that sum in paying up in full at par 749,990,000 shares for allotment and issue to holders of shares whose names appear on the register of members of the Company at the close of business on 20 December 2011 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in the Company following the Placing.

24. SHARE CAPITAL (Continued)

(d) In connection with the placing, an aggregate of 250,000,000 new ordinary shares of the Company of HK$0.1 each were issued at a price of HK$0.65 per share for a total cash consideration, before share issue costs, of approximately RMB132,421,000 (equivalent to HK$162,500,000).

(e) The Company granted an over-allotment option (the "Over-allotment Option") to the underwriters in respect of the placing. Pursuant to the Over-allotment Option, an aggregate of 20,555,000 additional ordinary shares of the Company of HK$0.1 each were issued and allotted by the Company at HK$0.65 per share for a total cash consideration, before share issue costs, of approximately RMB10,888,000 (equivalent to HK$13,360,750) for the sole purpose of covering over-allocations in the placing.

25. RESERVES

(a) Group

Details of the movements on the Group's reserve are as set out in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Share Premium RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Dividend proposed RMB'000	Total RMB'000
At date of incorporation	–	–	–	–	–
Loss for the period and total comprehensive income for the period	–	–	(98)	–	(98)
At 31 December 2011 and 1 January 2012	–	–	(98)	–	(98)
Issue of ordinary shares pursuant to capitalisation issue *(note 24(c))*	(61,117)	–	–	–	(61,117)
Issue of ordinary shares by Placing *(note 24(d))*	112,049	–	–	–	112,049
Issue of ordinary shares by exercising Over-allotment Option *(note 24(e))*	9,213	–	–	–	9,213
Share issue costs	(13,020)	–	–	–	(13,020)
	47,125	–	(98)	–	47,027
Loss for the year	–	–	(7,793)	–	(7,793)
Other comprehensive income	–	(29)	–	–	(29)
Total comprehensive income for the year	–	(29)	(7,793)	–	(7,822)
2012 Final dividend	(24,950)	–	–	24,950	–
At 31 December 2012	22,175	(29)	(7,891)	24,950	39,205

25. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(ii) Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of registered capital.

(iii) Merger reserve

The merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of the registered capital and capital reserve of Guangdong Huijin and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

26. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2012 **RMB'000**	2011 RMB'000
Unlisted shares, at cost	**2**	–

26. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment	Place of operation and principal activity	Description of fully paid up share capital/ registered capital held	Percentage of ownership interests/ voting rights/ profit share directly	Indirectly
Limited Liability Company					
Expand Wealth Limited	British Virgin Island ("BVI")	Investment holding and provision of loan service in PRC	1 share US$1	100%	–
Sunny Sino Holdings Limited	Hong Kong	Investment holding and provision for financial consultancy service in PRC	1 share HK$1	–	100%
Flying Investment Services (Shenzhen) Limited	PRC	Provision of entrusted loan and financial consultancy services in PRC	HK$50,000,000	–	100%
Junhao Group Limited	Hong Kong	Investment holding in Hong Kong	6,000 shares HK$1 each	–	60%
E-T Consultation (Zhuahi) Limited	PRC	Provision of financial consultancy service in PRC	1,512,673 shares HK$1 each	–	100%
Joint-stock limited company					
Guangdong Huijin	PRC	Provision of pawn loan service in PRC	RMB101,000,000	–	100%*

* Control over Guangdong Huijin through Contractual Arrangements prescribed in noted 2(f).

The financial statements of the subsidiaries have been examined by BDO Limited for the purpose of the Group's financial statements. None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

27. COMMITMENTS – GROUP AND COMPANY

(i) Operating lease commitments

Future minimum rental payable under non-cancellable operating lease of the Group in respect of buildings at the reporting date are as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**3,756**	3,332
Within two to fifth year	**2,526**	4,005
	6,282	7,337

The Group leases certain properties under operating leases. The leases run for an initial period of 1 to 3 years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of these leases include any contingent rentals.

(ii) Capital commitments

	2012 RMB'000	2011 RMB'000
Commitments for the acquisition of property, plant and equipment:		
Contracted, but not provide for	**–**	263

(iii) Other commitments

As at the reporting date, the Group entered into certain unexecuted loan agreements with independent third parties. Based on contracted amounts of the loan agreements, the Group had the following commitments:

	2012 RMB'000	2011 RMB'000
Contracted, but not provide for	**–**	5,000

(iv) At the reporting date, the Company did not have any significant commitments (2011: Nil).

28. RELATED PARTIES DISCLOSURE

Save as disclosed elsewhere in the financial statements, the Group had the following material related party transactions during the year:

(i) Rental expenses

	2012 RMB'000	2011 RMB'000
Rental expenses paid to a shareholder	**96**	96

The terms of the above transaction is mutually agreed by the Group and the shareholder. The directors are of the opinion that the terms were made in the ordinary course of business on normal commercial basis.

(ii) Compensation of key management personnel

The emoluments of directors who are also identified as members of key management of the Group during the year are set out in note 11(a).

29. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows:

Group

	2012 RMB'000	2011 RMB'000
Financial assets		
Held-to-maturity investments	**4,000**	–
Available-for-sale investments	**6,200**	–
Loans and receivables		
Loan and account receivables	**228,874**	124,435
Other receivables and deposits	**2,444**	631
Cash and cash equivalents	**141,417**	87,571
	382,935	212,637
Financial liabilities		
At amortised cost		
Accruals and other payables	**1,860**	1,648
Amounts due to non-controlling interests	**2,271**	–
Borrowings	**–**	12,290
	4,131	13,938

29. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Company

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables		
Amounts due from subsidiaries	**96,249**	–
Cash and cash equivalents	**29,007**	99
	125,256	99
Financial liabilities		
At amortised cost		
Accruals	**295**	–
Amounts due to subsidiaries	**2,632**	3,554
	2,927	3,554

30. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise loan and account receivables, other receivables and deposits, other investments, cash and cash equivalents, accruals and other payables, borrowings and amounts due from/to subsidiaries and non-controlling interests. These financial instruments mainly arise from its operations.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the reporting date. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

30. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate.

The Group's interest rate risk primarily relates to the interest bearing bank balances. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

The directors are of the opinion that the impact of the Group's and the Company's sensitivity to the change in interest rate is insignificant.

Foreign currency risk

As the Group's revenue and expenses are mainly in RMB which is the functional currency of most of the entities making up the Group, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

It is the Group's policy that all customers who wish to obtain loans from the Group are subject to management review. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group holds collaterals directly or indirectly to cover its risks associated with loan and interest receivables.

All collaterals of pawn loan receivables were held directly by the Group. For entrusted loan receivables, the Group holds collaterals of the customers directly or indirectly through bank. In case of default, the bank would assist the Group to recover the loan. Based on the arrangement of the Group and the bank, the bank may apply to the court for enforcement of the loan agreement and sale of the collaterals.

As at 31 December 2012, The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group's exposure under outstanding loan receivables were secured by the pledged assets of the customers as disclosed in note 18.

The Group's investments are unlisted debt and equity securities held for long term strategic purposes. Credit risk refers to issuers to these financial instruments would fail to discharge it obligation under the terms which lead to a financial loss to the Group. The Group monitors the financial status and credit rating of individual issuers by reviewing the financial information provided by issuers on regular basis. Up to 31 December 2012, the management does not expect any issuers to fail to meet its obligation.

The credit risk of the Group's other financial assets, which mainly comprise of cash and cash equivalents, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Credit risk in cash and cash equivalents is mitigated as cash is deposited in bank with high credit rating.

30. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Management of the Group monitors current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, are as follows:

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000	Repayable on demand RMB'000
Group				
At 31 December 2012				
Accruals and other payables	**1,860**	**1,860**	**1,860**	**–**
Amounts due to non-controlling interests	**2,271**	**2,271**	**2,271**	**–**
	4,131	**4,131**	**4,131**	**–**
At 31 December 2011				
Accruals and other payables	1,648	1,648	1,648	–
Borrowings	12,290	12,437	12,437	–
	13,938	14,085	14,085	–

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year RMB'000	Repayable on demand RMB'000
Company				
At 31 December 2012				
Accruals	**295**	**295**	**295**	**–**
Amounts due to subsidiaries	**2,632**	**2,632**	**–**	**2,632**
	2,927	**2,927**	**295**	**2,632**
At 31 December 2011				
Amounts due to subsidiaries	3,554	3,554	–	3,554

30. FINANCIAL RISK MANAGEMENT (Continued)

Fair values

The fair values of all financial assets and liabilities are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

31. CAPITAL RISK MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investments opportunities.

Management regards total equity as capital. The amount of capital as at 31 December 2012 amounted to approximately RMB354,213,000 (2011: RMB182,596,000) respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

32. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of reporting date, a subsidiary is established in PRC with registered capital of HK$10,000,000 in January 2013. The share capital is not yet paid up to the reporting date.

33. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 19 March 2013.

Financial Summary

A summary of the Group's results for the last three financial years and the assets and liabilities of the Group as at 31 December 2012, 2011 and 2010, as extracted from the published audited financial statements for the years ended 31 December 2012 and 2011, is set out below. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	2012 **RMB'000**	2011 RMB'000	2010 RMB'000
Revenue	**94,630**	86,799	46,766
Other income	**413**	172	127
Employee benefit expenses	**(9,625)**	(3,858)	(1,356)
Administrative expenses	**(26,657)**	(16,199)	(4,033)
Finance costs	**(54)**	(468)	(220)
Profit before income tax	**58,707**	66,446	41,284
Income tax expense	**(17,470)**	(17,949)	(10,269)
Profit for the year	**41,237**	48,497	31,015
Other comprehensive income			
– Exchange differences on translating foreign operation	**84**	230	–
Total comprehensive income for the year	**41,321**	48,727	31,015
Profit for the year attributable to:			
Owners of the Company	**41,409**	48,497	31,015
Non-controlling interests	**(172)**	–	–
	41,237	48,497	31,015
Total comprehensive income attributable to:			
Owner of the Company	**41,493**	48,727	31,015
Non-controlling interests	**(172)**	–	–
	41,321	48,727	31,015
ASSETS AND LIABILITIES			
Total assets	**385,528**	217,374	170,034
Total liabilities	**(31,315)**	(34,778)	(15,965)
Net assets	**354,213**	182,596	154,069