中国信贷
CREDIT CHINA

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

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8207

Annual Report
2012

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

Contents

DIRECTORS

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

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

COMPANY SECRETARY

Ms. Kuo Kwan

COMPLIANCE OFFICER

Ms. Shen Li

AUTHORIZED REPRESENTATIVES

Ms. Shen Li
Ms. Kuo Kwan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS

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

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

COMPLIANCE ADVISOR

China Everbright Capital Limited
17/F, Far East Finance Centre
16 Harcourt Road
Central, Hong Kong

AUDITOR

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.creditchina.hk

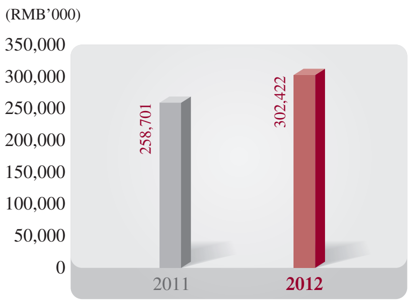
STOCK CODE

08207

Financial Highlights

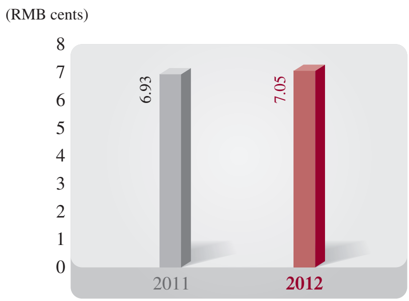
	2012 RMB'000	2011 RMB'000	Changes
OPERATING RESULTS			
Turnover	**302,422**	258,701	**16.9%**
Profit for the year attributable to owners of the Company	**149,534**	142,833	**4.7%**
Basic earnings per share	**RMB7.05 cents**	RMB6.93 cents	**1.7%**
Dividend for the year per share	**HK1.55 cents**	HK2.06 cents	**-24.8%**
FINANCIAL POSITION			
Total assets	**1,321,040**	1,024,609	**28.9%**
Bank balances and cash	**212,558**	348,620	**-39.0%**
Net assets	**757,031**	657,520	**15.1%**

Turnover

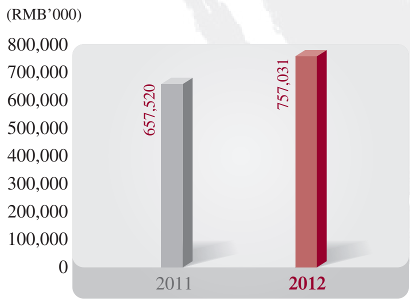


Profit for the year attributable to owners of the Company

Basic earnings per share



Net assets



Chairman's Statement

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

Year 2012 was a year full of opportunities and challenges. As the global growth faltered, expansion of the PRC economy was slowing. The PRC market saw a slower pace of expansion in production and fixed asset investments. However, being the world second largest economy, there was still room for further development as compared to advanced economies especially China was still in the process of industrialization and urbanization. Despite more funds were injected in the market under a more relaxing monetary policy in the PRC, there were still credit gap and restrictions on bank lending to small-to-medium enterprises which provided the Group business opportunities. At the same time, potential risks in the real estate sector and in the financial system were not to be neglected as some enterprises faced declining profitability and the real estate market was adjusting. Thus the Group, in the face of more complicated situation, had to strike a balance between growth and risk control. While efforts were being made to preserve stable growth, it was imperative to pay more attention to the quality of loans and the discipline in risk management.

From a competitive perspective, we continued to focus majority of our resources on what we are good at – entrusted loan service and financial consultancy service and we reported double digit growth in the revenue of both businesses. And as part of our growth strategies, the Group took a major leap forward to expand to the small and micro loan service in late 2011. Although just operated for less than a year, we were encouraged by the progress in this newly developed business and we expect this area of service will be one of our forward revenue drivers.

As we move into 2013, we will focus on opening up more small and micro loan platforms by expanding our geographic footprint to other major cities of the PRC, while maintaining stable growth in our existing businesses. We will also explore and enhance our financial consultancy service with more comprehensive, tailor-made and sophisticated financial solutions to fit the requirements of customers. To achieve revenue growth, we will also explore acquisition and partnership opportunities. To improve the operating results, we will also continue to concentrate on streamlining the operational structure to reduce operating cost, besides broadening revenue streams. While we are pleased with the progress of our business development, we recognize that we have to do more to meet our on-going commitment of maximizing shareholder value, one of the most important measures of a successful business.

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

Ting Pang Wan, Raymond
Chairman and Executive Director

Hong Kong, 11 March 2013

BUSINESS REVIEW

The Group is an integrated financing service provider, and mainly provides secured financing and related financial consultancy services in the PRC and Hong Kong. The Group's multi-platform financing services consist of entrusted loan service, real estate-backed loan service, micro loan service, pawn loan service and other collateral-backed loan service.

During the year under review, the Group experienced continuous strong demand in its financing services, particularly the entrusted loan service and financial consultancy service, which continued to be the backbone of the Group's revenue. The Group also reported satisfactory progress in both the loan book and revenue of its newly developed small loan and microfinance service. Commencing operation in March 2012, the Group's Chongqing microfinance subsidiary contributed approximately 13.8% to the Group's overall revenue.

In September and December 2012, the Group completed the issue of RMB-denominated bonds in the aggregate amount of RMB250,000,000. The proceeds from the issue further strengthened the Group’s business foundation and allowed the Group to position well for business opportunities.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2012, the Group generated record revenue of approximately RMB302.4 million, climbed 16.9% when compared to approximately RMB258.7 million of previous year.

Entrusted loan service income

For the year ended 31 December 2012, the Group’s entrusted loan service remained to be the second largest business which generated revenue of approximately RMB91.7 million for the year ended 31 December 2012, an increase of 35.9% from the revenue of approximately RMB67.5 million of last year.

Real estate-backed loan service income

The Group’s real estate-backed loan service income was mainly generated from Chongqing’s small loan service. The real estate-backed loan service income posted a significant growth for the year ended 31 December 2012, with revenue from interest income and related financial consultancy service income amounted to approximately RMB23.7 million and RMB19.7 million respectively.

Microfinance service income

At late 2012, in addition to small loan service, the Group's Chongqing operation also started to provide microfinance service. For the year ended 31 December 2012, the Group recorded interest income of approximately RMB15,000.

Other collateral-backed loan service income

Other collateral-backed loan service income was derived from the money lending service in Hong Kong and the loan service backed by collaterals other than real estate in the PRC. For the year ended 31 December 2012, there was no other collateral-backed loan service provided in the PRC and the revenue of approximately RMB5.6 million represented income from money lending service in Hong Kong. Therefore, this revenue dropped by approximately 63.9% versus RMB15.6 million of last year.

Real estate pawn loan service income

The Group has changed its loan portfolios towards loans with larger sums such as entrusted loans and real estate-backed loans and hence the proportion of smaller size pawn loans has been reduced. The Group recorded revenue of approximately RMB7.6 million from the provision of real estate pawn loan service for the year ended 31 December 2012, a decrease of 60.5% as compared to the revenue of approximately RMB19.2 million for the year ended 31 December 2011.

Other collateral-backed pawn loan service income

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB2.9 million from the provision of other collateral-backed pawn loan service, an increase of 8.3% as compared to the revenue of approximately RMB2.7 million of last year.

Personal property pawn loan service income

The Group has gradually scaled down its less profitable personal property pawn loan operation. For the year ended 31 December 2012, the Group's revenue from the provision of personal property pawn loan service was approximately RMB27,000 as compared to the amount of approximately RMB0.3 million of last year.

Financial consultancy service income

Financial consultancy service continued to be our largest business, generating approximately 56.5% of the Group's total revenue. On the back of strong demand, the financial consultancy service income increased by 20.4% to approximately RMB170.9 million for the year ended 31 December 2012 from approximately RMB142.0 million of last year.

Interest expenses

The Group recorded interest expenses of approximately RMB19.4 million for the year ended 31 December 2012, as compared to approximately RMB5.2 million in last year. The increase of interest expenses by 274.0% was mainly due to increased interests on the RMB-denominated corporate bonds and exchangeable bond.

Other income

The Group's other income comprised convertible bond interest income, bank interest income, government grants and waive of interest upon exercise of an exchangeable bond. The Group's other income for the year ended 31 December 2011 and 2012 was approximately RMB6.2 million and RMB17.5 million respectively. The increase of 181.0% was mainly attributable to the government grants of RMB6.5 million to Shanghai Yintong Dian Dang Company Limited ("Shanghai Yintong") and Lucky Target Property Consultants (Shanghai) Company Limited ("Lucky Consultants") for the encouragement of expansion of enterprise, interest on convertible bond of RMB4.4 million and waive of interest of RMB4.4 million upon exercise of an exchangeable bond.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and sales and marketing related expenses. The Group's administrative and other operating expenses for the year ended 31 December 2011 and 2012 were approximately RMB54.6 million and RMB68.5 million respectively. The increase of approximately 25.5% was mainly attributable to the increase of sales and marketing related expenses, salaries, rental expenses and other operating costs which were increased in line with the business growth.

Profit for the year attributable to owners of the Company

With the year 2012 posted a profit of RMB164.3 million, the profit attributable to owners of the Company for the year ended 31 December 2012 climbed up to approximately RMB149.5 million, an increase of 4.7% as compared to RMB142.8 million of last year.

OUTLOOK

Looking to the future, the Group will concentrate on improving the results of its existing businesses by promoting sales effectiveness and operational efficiency. At the same time we will seize any opportunities to drive profitable revenue growth. The Directors believe that there is remarkable potential in microfinance market because China is still in a period of strategic opportunities for development and there are huge numbers of micro-entrepreneurs in China who are facing the most common challenge – lack of access to credit for their business development. In recent years, the PRC central government released a series of supporting policies to fill the financing gap which concurrently promote the development of microfinance market. It is also expected the gradual liberalization of financial systems will continue to foster the evolvement of microfinance in the PRC. Following the success of its microfinance subsidiary in Chongqing, the Group plans to further expand our presence in microfinance markets to grasp the vast opportunities created by the market demand.

While the conditions in the market remain challenging, the Directors are optimistic about the Group's future, and believe that value of investing in growth businesses, coupled with the persistent efforts in building up the foundation, will soon be realized.

ADVANCE TO ENTITIES

Pursuant to Rule 17.15 of the GEM Listing Rules, a 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 RMB1.32 billion. 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 effective 13 March 2012 (the "Entrusted Loan Agreement A")**

   Lucky Consultants, an indirect wholly-owned subsidiary of the Company, entered into an entrusted loan agreement effective 13 March 2012 with a borrower ("Borrower A") and Shanghai Branch of Bank of Ningbo as the lending agent (the "Lending Agent"), pursuant to which, Lucky Consultants had agreed to entrust a fund in the amount of RMB60 million (the "Entrusted Fund A") to the Lending Agent, 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 real estate development and developing a commercial building with a gross floor area of approximately 271,000m^2 located in Zhejiang Province, the PRC. Borrower A had no default record with the Group in the past. Borrower B as referred to the "Loan A" below holds 76.92% or US$20 million (equivalent to approximately HK$156 million or RMB127 million) of the registered capital of Borrower A.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Borrower A, the Lending Agent and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

The principal terms of Entrusted Loan Agreement A are set out below:

Loan amount:

RMB60 million (the "Entrusted Loan A").

Interest:

Interest rate on the Entrusted Loan A shall be payable in the range of 22%-24.4% per annum.

Service fee:

Shenyan Investment Consultancy (Shanghai) Limited ("Shenyan"), the then indirect 70%-owned but currently wholly-owned subsidiary of the Company, entered into a service agreement with Borrower A pursuant to which Shenyan charges Borrower A a service fee in a range of 1%-3% per month for assisting Borrower A in securing the loan through the Entrusted Fund A on 13 March 2012.

Term of the loan:

6 months from the effective date of the Entrusted Loan Agreement A on 13 March 2012.

As at 31 December 2012, a total of RMB50 million remained outstanding in connection with the Entrusted Loan Agreement A as amounted to RMB10 million was repaid by Borrower A and the term of remaining amount of loan of RMB50 million has been extended to 12 January 2013 and further extended to 12 May 2013 upon agreement by the parties to the Entrusted Loan Agreement A on 29 August 2012 and 10 January 2013 respectively.

Security:

The Entrusted Loan A shall be secured by a building area of 3,237m^2 of a commercial building located in Jinhua City in Zhejiang Province (the "Properties") and rental income to be generated under a tenancy agreement entered into between Borrower A and one of the top supermarket chains of the world in respect of two floors of the Properties in a total building area of approximately 22,906m^2 (the "Security A") for the obligations of Borrower A under the Entrusted Loan Agreement A. If Borrower A is in default, the Lending Agent will assist Lucky Consultants to recover the full amount of the Entrusted Loan A including the enforcement of the Security A. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, other than being charged to the Lending Agent, the Security A is not charged to any other parties.

Guarantee:

A corporate guarantee has been provided by a related company of Borrower A and personal guarantee has been given jointly by the legal representative and beneficial owner of Borrower A in favour of Lucky Consultants to secure the obligation of Borrower A under the Entrusted Loan Agreement A.

Repayment:

The Entrusted Loan A and other monies outstanding (including the interest and penalty fee (if any, when Borrower A fails to repay the Entrusted Loan A which it falls due)) in connection to the Entrusted Loan Agreement A are repayable by Borrower A to the Lending Agent upon the expiry of the term of the Entrusted Loan A and the Lending Agent shall transfer the repaid amount to Lucky Consultants account in the Lending Agent. Borrower A shall not repay the Entrusted Loan A and other monies outstanding (including the interest and penalty fee (if any, when Borrower A fails to repay the Entrusted Loan A which it falls due)) in connection to the Entrusted Loan Agreement A to Lucky Consultants directly.

Prepayment:

Upon agreement by Borrower A and Lucky Consultants and by giving a written advance notice to Lucky Consultants and the Lending Agent, Borrower A has the rights to prepay part or the whole amount of the Entrusted Loan A before the maturity date.

For further details, please refer to the announcement of the Company dated 13 March 2012.

2. **Loan agreement dated 16 May 2012 (the "Loan Agreement A")**

On 16 May 2012, Vigo Hong Kong Investment Limited ("Vigo"), an indirectly wholly-owned subsidiary of the Company, entered into a loan agreement with a borrower ("Borrower B"), pursuant to which Vigo had agreed to lend a loan of HK$60 million (equivalent to approximately RMB48.8 million) (the "Loan A") to Borrower B for a term of six months subject to and upon the terms and conditions therein. Borrower B was referred to the Group by the then shareholder who held 30% interest in High Elite Holdings Limited ("High Elite"), a currently wholly-owned subsidiary of the Company. Borrower B is a limited liability company incorporated in Hong Kong and its principal business activity is investment holding. Borrower B holds 76.92% or US$20 million (equivalent to approximately HK$156 million or RMB127 million) of the registered capital of Borrower A as referred to the Entrusted Loan A above and the Entrusted Loan D below.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Borrower B and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The principal terms of the Loan Agreement A are as follows:

Loan amount:

HK$60 million (equivalent to approximately RMB48.8 million).

Interest:

Interest rate on the Loan A is in the range of 12%-14% per annum. Interest shall be payable monthly.

Service fees:

Consultancy Agreement I

Borrower B shall pay to the Company the following fees for the services provided by the Company under the consultancy agreement between the Company and Borrower B (the "Consultancy Agreement I"):

(i) a success fee in the range of HK$5 million to HK$10 million upon successful entering into of the Loan A, which is due and payable at the date of receipt of the Loan A;

(ii) a monthly consultancy fee calculated on the basis of 1% to 1.5% of the Loan A which is payable by Borrower B during the term (six months from 16 May 2012 unless Loan A is extended under the Loan Agreement A) of the Consultancy Agreement I; and

(iii) if any part of the Loan A remains outstanding or the Consultancy Agreement I is extended after the expiry of the six-month period of the Consultancy Agreement I, a monthly consultancy fee calculated on the basis of 2.5% to 3% of the outstanding Loan A.

Consultancy Agreement II

Borrower B shall pay to High Elite the following fees for the services provided by High Elite under the consultancy agreement between High Elite and Borrower B (the "Consultancy Agreement II"):

(i) a monthly consultancy fee calculated on the basis of 1% to 1.5% of the Loan A which is payable by Borrower B during the term (six months from 16 May 2012 unless Loan A is extended under the Loan Agreement A) of the Consultancy Agreement II; and

(ii) if any part of the Loan A remains outstanding or the Consultancy Agreement II is extended after the expiry of the six-month period of the Consultancy Agreement II, a monthly consultancy fee calculated on the basis of 1% to 1.5% of the outstanding Loan A.

Term of the loan:

6 months from the drawdown date of the Loan A. The Loan A shall be drawn within 30 days of the date of the Loan Agreement A.

As at 31 December 2012, HK$60 million (equivalent to approximately RMB48.8 million) remained outstanding in connection with the Loan Agreement A as the loan amount of HK$60 million (equivalent to approximately RMB48.8 million) has been extended to 15 December 2012 and further extended to 15 March 2013 upon agreement by the parties to the Loan Agreement A on 16 November 2012 and 11 December 2012 respectively.

Security:

The obligations of Borrower B under the Loan Agreement A are secured by the following:

(i) two share charges over all the issued share capital of Borrower B created by the beneficial owners of Borrower B in favour of Vigo; and

(ii) two assignments of loan by way of security entered into by the beneficial owners of Borrower B to assign to Vigo all the loans owing by Borrower B to the beneficial owners as security (the "Security B").

Guarantee:

Two personal guarantees have been provided by the beneficial owners of Borrower B in favour of Vigo to secure the obligations of Borrower B under the Loan Agreement A.

Repayment:

The Loan A in relation to the Loan Agreement A is repayable by Borrower B to Vigo upon the expiry of the term of the Loan A.

Prepayment:

Borrower B may prepay part or the whole amount of the Loan A before the expiry of the term of the Loan A provided that a written consent of Vigo is obtained.

For further details, please refer to the announcement of the Company dated 16 May 2012.

3. Entrusted loan agreement dated 26 November 2012 (the "Entrusted Loan Agreement D")

On 26 November 2012, Lucky Consultants entered into an entrusted loan agreement with Borrower A and the Lending Agent, pursuant to which Lucky Consultants has agreed to entrust a fund in the amount of RMB15 million (equivalent to approximately HK$18.45 million) (the "Entrusted Fund D") to the Lending Agent, for on-lending to the Borrower A for a term of four months subject to and upon the terms and conditions therein.

The total amount of the Entrusted Loan A, Loan A and Entrusted Loan D which remained outstanding as at 31 December 2012 was approximately RMB113.8 million which exceeded 8% of the total assets of the Group as at 31 December 2012.

RMB15 million (the "Entrusted Loan D"), together with the outstanding principal of the Entrusted Loan A and Loan A, representing approximately 8.6% of the total assets of the Group of approximately RMB1.32 billion as at 31 December 2012, approximately 15.0% to the net assets of the Group of approximately RMB757.0 million as at 31 December 2012 and approximately 11.6% to the total loan portfolio of the Group of approximately RMB980.0 million as at 31 December 2012 (all based on the audited consolidated accounts of the Group for the year ended 31 December 2012).

4. **Entrusted loan agreement effective 21 June 2012 (the "Entrusted Loan Agreement B")**

On 21 June 2012, Lucky Consultants entered into an entrusted loan agreement with a borrower ("Borrower C") and the Lending Agent, pursuant to which, Lucky Consultants had agreed to entrust a fund in the amount of RMB50 million (the "Entrusted Fund B") to the Lending Agent, for on lending to Borrower C for a term of six months subject to and upon the terms and conditions therein. Borrower C is a limited liability company established in the PRC and its principal business activities include real estate development and sale of construction materials. Borrower C has 24-month business relationship with the Group and there is no default record with the Group in the past.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Borrower C and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Loan amount:

RMB50 million (the "Entrusted Loan B").

Interest:

Interest rate on the Entrusted Loan B amount shall be payable in the range of 22%-24.4% per annum.

Service fee:

Shenjing Investment Consultancy (Shanghai) Limited ("Shenjing"), an indirect wholly-owned subsidiary of the Company, entered into a service agreement with Borrower C, pursuant to which Shenjing charges Borrower C a service fee in a range of 2%-4% per month for assisting Borrower C in securing the loan through the Entrusted Fund B on 21 June 2012.

Term of the loan:

6 months from effective date of the Entrusted Loan Agreement B on 21 June 2012.

As at 31 December 2012, a total of RMB50 million remained outstanding in connection with the Entrusted Loan Agreement B and the loan amount of RMB50 million has been extended for six months to 22 June 2013 upon agreement by the parties to the Entrusted Loan Agreement B on 21 December 2012.

Security:

The Entrusted Loan B shall be secured by commercial properties located in Jia Ding District in Shanghai with land usage right in an area of 45,868m^2 and a total building area of approximately 217,000m^2 (the "Security C") for the obligations of Borrower C under the Entrusted Loan Agreement B. If Borrower C is in default, the Lending Agent will assist Lucky Consultants to recover the full amount of the Entrusted Loan B including the enforcement of the Security C. As at the date of granting the Entrusted Loan B, there were other charges on the Security C and the amount of such charges was deducted when estimating the loan-to-value ratio set out in the paragraph headed "Credit Risks" below.

Guarantee:

Personal guarantees have been given respectively by the legal representative and the beneficial owner of Borrower C in favour of Lucky Consultants to secure the obligations of Borrower C under the Entrusted Loan Agreement B.

Repayment:

Pursuant to the Entrusted Loan Agreement B, monthly interest at a rate which was agreed by the parties after arm's length negotiation shall be paid by Borrower C to the Lending Agent. The Entrusted Loan B and other monies outstanding (including the interest and penalty fee (if any, when Borrower C fails to repay the Entrusted Loan B when it falls due)) in connection to the Entrusted Loan Agreement B are repayable by Borrower C to the Lending Agent upon the expiry of the term of the Entrusted Loan B and the Lending Agent shall transfer the repaid amount together with all the interest received from Borrower C after deduction of applicable taxes to the account of Lucky Consultants maintained with the Lending Agent.

Prepayment:

Upon obtaining consent from Lucky Consultants and by giving a written notice to the Lending Agent, Borrower C has the rights to prepay the Entrusted Loan B before the maturity date or extend the repayment of the Entrusted Loan B.

For further details, please refer to the announcement of the Company dated 21 June 2012.

5. Entrusted loan agreement effective 20 September 2012 (the "Entrusted Loan Agreement C")

Lucky Consultants entered into an entrusted loan agreement effective 20 September 2012 with Borrower C and the Lending Agent, pursuant to which, Lucky Consultants had agreed to entrust a fund in the amount of RMB70 million (the "Entrusted Fund C") to the Lending Agent, for on lending to Borrower C for a term of six months subject to and upon the terms and conditions therein. On 16 August 2012 and 14 December 2012, Lucky Consultants entered into entrusted loan agreements (the "Previous Entrusted Loan Agreements") with Borrower C and Shanghai Branch of China Construction Bank Corporation as the lending agent (the "Lending Agent I"), pursuant to which Lucky Consultants had agreed to entrust funds in an aggregate amount of RMB40 million to the Lending Agent I, for on lending to Borrower C.

The total amount of the Entrusted Loan B, the Entrusted Loan C and the other advances of RMB40 million to Borrower C under the Previous Entrusted Loan Agreements which remained outstanding at 31 December 2012 was RMB160 million, which exceeded 8% of the total assets of the Group as at 31 December 2012.

The principal terms of the Entrusted Loan Agreement C are as follows:

Loan amount:

RMB70 million (the "Entrusted Loan C"), together with the aggregate outstanding principal of RMB90 million advanced to Borrower C under Entrusted Loan Agreement B and the Previous Entrusted Loan Agreements, representing approximately 12.1% of the total assets of the Group of approximately RMB1.32 billion as at 31 December 2012, approximately 21.1% to the net assets of the Group of approximately RMB757.0 million as at 31 December 2012 and approximately 16.3% to the total loan portfolio of the Group of approximately RMB980.0 million as at 31 December 2012 (all based on the audited consolidated accounts of the Group for the year ended 31 December 2012).

Interest:

Interest rate on the Entrusted Loan C amount is payable in the range of 21%-23% per annum.

Service fee:

Shanghai Yintong, a limited liability company established in the PRC which is managed by Lucky Consultants, entered into a service agreement with Borrower C pursuant to which Shanghai Yintong charges Borrower C a service fee in the range of 1%-3% per month for assisting Borrower C in securing the Entrusted Loan C through the Entrusted Fund C on the effective date on 20 September 2012.

Term of the Loan:

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

Security:

The obligations of Borrower C under the Entrusted Loan Agreement C is secured by share charge over all the issued share capital of Borrower C created by the beneficial owners of Borrower C in favour of Lucky Consultants (the "Security D"). According to the unaudited net asset value of Borrower C for the period ended 31 August 2012, the unaudited net asset value of Borrower C was approximately RMB515.9 million ("NAV") as at 31 August 2012. According to the audited consolidated financial statements of Borrower C for the year ended 31 December 2011, the audited net asset value of Borrower C for the year ended 31 December 2011 was approximately RMB522.5 million, of which the assets primarily comprised of Security C and accounts receivables, and the liabilities primarily comprised of loans and accounts payables.

In addition to the charges under the Previous Entrusted Loan Agreements and the Entrusted Loan Agreement B, there were other charges on the Security C to banks as at the date of granting the Entrusted Loan C , and the amount of such charges were deducted when estimating the loan-to-value ratio set out in the paragraph headed "Credit Risks".

Guarantee:

Personal guarantees have given respectively by the legal representative and a beneficial owner of Borrower C in favour of Lucky Consultants to secure the obligations of Borrower C under the Entrusted Loan Agreement C.

Repayment:

Pursuant to the Entrusted Loan Agreement C, monthly interest at a rate which was agreed by the parties after arm's length negotiation shall be paid by Borrower C to the Lending Agent. The Entrusted Loan C and other monies outstanding (including he interest and penalty fee (if any, when Borrower C fails to repay the Entrusted Loan C when it falls due)) in connection to the Entrusted Loan Agreement C are repayable by Borrower C to the Lending Agent upon the expiry of the term of the Entrusted Loan C and the Lending Agent shall transfer the repaid amount together with all the interest received from Borrower C after deduction of applicable taxes to the account of Lucky Consultants maintained with the Lending Agent.

Prepayment:

Upon obtaining consent from Lucky Consultants and by giving a written notice to the Lending Agent, Borrower C has the rights to prepay the Entrusted Loan C before the maturity date or extend the repayment of the Entrusted Loan C.

For further details, please refer to the announcements of the Company dated 20 September 2012 and 10 October 2012.

CREDIT RISKS

According to the Company's credit policy, the Company would focus on the accurate valuation of the collateral in order to minimize risks and determine the loan amount given the loan-to-value ratio to a maximum of 50%, so that the collateral itself provides overcollaterisation of the loan. The Company also relies on sources to determine the estimate valuation, including research on recent official real estate transaction prices and the experience of the Company's employees in depositing similar collateral in the past. In addition to the internal valuations, for real estate with market value cannot be determined according to the above sources, the Company will also engage independent professional real estate appraisers to produce detailed reports on the collateral where necessary.

The Entrusted Loan A and the Entrusted Loan B were granted based on the internal credit assessment conducted by the employees of the Company made on the Security A and the Security C provided respectively by Borrower A and Borrower C, with reference to market value in similar properties and in similar locations.

The Loan A was granted based on the credit assessment conducted by the Group made on the Security B provided under the Loan Agreement A with reference to the financial position of Borrower B and Borrower A including the adjusted net asset value of Borrower B as at 31 December 2011 as well as the market value of properties similar to the property owned by Borrower A in similar locations.

The Entrusted Loan C was granted based on the internal credit assessment conducted by the Group made on the Security D provided under Entrusted Loan Agreement C, with reference to the financial position of Borrower C and including the NAV of Borrower C as at 31 August 2012.

The loan-to-value ratio of each of the securities mentioned above is below 50% which is in line with Group's credit policy. In addition, if the price of the securities falls to certain extent that the Company considers that the securities do not provide adequate collaterisation of the loans, Lucky Consultants and Vigo have the rights to demand Borrower A, Borrower B and Borrower C to provide additional collateral or to declare the loans, all interest accrued thereon and all monies payable to be forthwith due and payable.

As at 31 December 2012, the Group re-evaluated the estimate value of the collaterals with reference to recent official real estate transaction prices and the financial position of borrowers as well as valuation conducted by independent appraisers to ensure that the securities provide adequate collaterisation of the loans.

LOAN RECEIVABLES THAT ARE NOT IMPAIRED

As at 31 December 2012, the Group had loan receivables with aggregate carrying amount of approximately RMB100,100,000 in relation to certain entrusted loan and pawn loan, which were past due. The Group has not provided for impairment loss for those loan receivables as the Group holds related collaterals amounting to approximately RMB213,416,000. The Group had taken legal action to auction the properties under collateral and subsequent to 31 December 2012, had successfully auctioned the collateral of one defaulted entrusted loan with auctioned price above the carrying value of the loan of approximately RMB50,000,000.

FINAL DIVIDEND

In view of the Group's favorable operating results for the year ended 31 December 2012 and having taken into consideration its long-term development, the Board recommends payment of a final dividend of HK1.55 cents (or equivalent to RMB1.26 cents) per ordinary share of the Company for the financial year ended 31 December 2012 (2011: HK2.06 cents) to the shareholders of the Company whose names are on the register of members on Monday, 27 May 2013, subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company ("Annual General Meeting") to be held on Tuesday, 7 May 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 on or about Friday, 31 May 2013 and the dividend payout ratio for the year under review will be 20.07%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2012, the Group had bank balances and cash of approximately RMB212.6 million (2011: approximately RMB348.6 million) and had borrowings, which mainly comprised Renminbi corporate bonds and other loan, amounted to RMB301.6 million (2011: RMB147.3 million). During the year under review, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowings to the total assets of the Group was 0.23 as at 31 December 2012 (2011: 0.14).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 30 October 2012, Turton Holdings Limited ("Turton"), a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with King Time International Holding Limited pursuant to which Turton agreed to acquire remaining 30% equity interest in High Elite Holdings Limited ("High Elite"), which is principally engaged in financial consultancy service, at a consideration of RMB49,084,000. After completion of the purchase, the Group indirectly holds 100% equity interest in High Elite.

Other than disclosed above, 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 capital expenditure contracted for but not provided in the financial statements of approximately RMB453,000 (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 150 staff (2011: 51). Total staff costs (including Directors' emoluments) were approximately RMB23.0 million for the year ended 31 December 2012 (2011: RMB34.1 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 15 November 2010 with the Group's actual business progress for the period from 1 January 2012 to 31 December 2012 is set out below:

Business objectives for the year from 1 January 2012 to 31 December 2012 as stated in the Prospectus	Actual business progress for the year from 1 January 2012 to 31 December 2012

1. Expand our secured financing sales network and develop our businesses in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong

– Further diversify the nature of our secured financing services through internal resources	– The Group is assessing the acquisition and partnership opportunities to open up more platforms for its small and micro loan business in major cities in the PRC.

2. Fulfill share capital requirement of Bao Kang Investment and Guarantee (Suzhou) Limited ("Baokang Guarantee") and to support our Group's short-term financing business

– Enhance the cooperation with banks, industry associations and potential customers	– The Group has secured cooperation relationship with more banks and established collaborative arrangement with more strategic partners.

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 the listing date on 19 November 2010 (the "Listing Date") to 31 December 2012, the net proceeds from issuance of new shares of the Company had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Listing Date to 31 December 2012	**Actual use of proceeds from the Listing Date to 31 December 2012**
	HKD	HKD
Expand our secured financing sales network and develop our business in Shanghai, Zhejiang and Jiangsu Provinces and Hong Kong	122,600,000	264,500,000
Fulfil share capital requirement of Baokang Guarantee and to support our Group's short-term financing business	115,000,000	–
Repay the RMB29 million loan to Xinrong Asset Management Limited ("Xinrong Asset")	33,300,000	33,300,000
Net proceeds reserved for general working capital for our Group	57,000,000	30,100,000
Total net proceeds	327,900,000	327,900,000

After considering the risk and return, the Group shall not pursue in loan guarantee business proposed to be carried out through Baokang Guarantee. Although there was a change in the proportion of the net proceeds applied to the business objectives as stated in the Prospectus, all the proceeds had been utilized for the intended usage of the proceeds as disclosed in the Prospectus.

EQUITY FUND-RAISING CONDUCTED DURING THE YEAR UNDER REVIEW

Date of initial announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds up to 31 December 2012
14 September 2012	The issue of RMB denominated bonds in the amount of RMB200,000,000	RMB195 million	To be used for the Group's working capital and general corporate purposes	Utilized to expand the Group's financing services and as general working capital
21 December 2012	The issue of RMB denominated bonds in the amount of RMB50,000,000	RMB49.2 million	To be used for the Group's working capital and general corporate purposes	Approximately RMB30.4 million has been utilized to expand the Group's financing services and as general working capital

DIRECTORS

Executive Directors

Mr. Ting Pang Wan, Raymond（丁鵬雲）, aged 40, is the brother-in-law of Mr. Shi Zhi Jun, the current Deputy Chairman and the former Chairman of the Board. Mr. Ting was appointed as an executive Director on 6 September 2012 and was further appointed as the Chairman on 4 October 2012. He had been an advisor of the Board from 19 November 2010 before his appointment as an executive Director. He is also a director of a subsidiary of the Group. In addition, he was appointed as an executive director of China Motion Telecom International Limited (Stock Code: 989), a company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in October 2006 and became the chairman of China Motion Telecom International Limited in November 2006. Mr. Ting has over 17 years of experience in property development and investments in the People's Republic of China ("PRC"). He is currently the sole shareholder and director of LT International Holdings Limited which was established by Mr. Ting's father and other business partners and is a holding company with subsidiaries principally engaged in property development and investments in Guangzhou, Shanghai and Beijing, the PRC and investment in securities since 1991. Mr. Ting studied Economics and International Relation in Beloit College in the United States of America from 1992 to 1994.

Mr. Shi Zhi Jun（石志軍）, aged 56, is one of the founders of the Group and the Deputy Chairman of the Company. He was appointed as an executive Director on 4 January 2010 and Chairman on 4 November 2010 and was re-designated from the Chairman to the Deputy Chairman on 4 October 2012. Mr. Shi is also a director of various companies in the Group. Besides, he is a director and owner of Kaiser Capital Holdings Limited, the controlling shareholder of the Company. Mr. Shi was trained in the Senior Doctor-in-charge Advanced Studies in Shanghai TV University（上海電視大學）and Shanghai Jiao Tong University（上海交通大學）(formerly known as Shanghai No. 2 Medicine University（上海第二醫科大學）). In 2007, Mr. Shi received his Master's degree in Advanced Business Management from the Nanyang Technological University of Singapore. Mr. Shi became a surgeon when he was at the age of 20 and practised as a surgeon until 1998. In 1998, in order to achieve a better income, he pursued his career in property financing and provided combined financing consultancy and property agency services where he gained over 14 years of experience in the industry. In 2003, Mr. Shi established Shanghai Yintong and was appointed as its chairman in July 2004. Under the leadership of the management team of Shanghai Yintong with Mr. Shi as the core member, Shanghai Yintong extended its business and became a provider of unique short-term financing services targeting the Zhejiang and Jiangsu Provinces with a focus in Shanghai, the PRC. From 1992 to 1996, Mr. Shi was accredited as "Shanghai Outstanding Young Doctor"（上海市優秀青年醫師獎）, "Top Ten in Science"（十佳科技獎）, "Spiritual Civilization Model（精神文明標兵獎）" and "Top Ten Young Person in Science"（十佳科技青年）" for two years consecutively by Xuhui District, Shanghai, the PRC.

Mr. Ji Zu Guang (計祖光), aged 55, is one of the founders of the Group. He was appointed as an executive Director on 4 January 2010 and is also a director of various companies in the Group. Mr. Ji is currently responsible for human resources management and legal compliance aspects of the Group. Mr. Ji participated in the establishment of Jinhan Investment (through which the Group was formed in 2003) in 2000. Mr. Ji graduated from the Party School of the Central Committee of C.P.C (中共中央黨校) in 1992 majoring in Economic Management. In 2006, Mr. Ji received his Master's degree in Advanced Business Management from the Nanyang Technological University of Singapore. From 1992 to 2000, he served as secretary and engineer of the Shanghai Postal, Telephone and Communication Bureau (上海市郵電管理局) respectively. Since 2000, Mr. Ji served as the Deputy General Manager of LT International Holdings Ltd. (峻岭國際集團有限公司) where he was mainly responsible for the overall operation of property development projects and well-experienced in the property development industry. In 2003, he participated in the establishment of Shanghai Yintong and has since gained around 8 years of experience in the secured financing industry.

Ms. Shen Li (沈勵), aged 39, was appointed as an executive Director on 4 January 2010. Ms. Shen is the Chief Executive Officer of the Company and a director of various companies in the Group. Ms. Shen is responsible for the operation and management of the Group. She joined the Group in January 2009 as our Deputy General Manager. Ms. Shen obtained her Bachelor's degree in Computer and Finance from International Business School of Shanghai University (上海大學國際商學院) in 1995. She possessed the qualification of registered accountant of the PRC and is a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Ms. Shen had worked at Price Waterhouse Da Hua CPAs, General Motors (China) Investment Co. Ltd. and had been the controller of Asia Operation of Chrysler Asia Operations. She has about 17 years of experience in finance.

Independent Non-executive Directors

Mr. Neo Poh Kiat (梁宝吉), aged 62, was appointed as an independent non-executive Director on 4 November 2010. He is also the chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee of the Company. Mr. Neo obtained a Bachelor of Commerce (Honours) degree from Nanyang University, Singapore in 1973. Mr. Neo has extensive experience in the banking and finance industry for over 30 years. He is currently a managing director of Octagon Advisors Pte. Ltd., a financial advisory firm in Singapore. Between 1976 and 1994, Mr. Neo took up various positions in DBS Bank Group including executive director of DBS Securities Hong Kong Limited and director of DBS Securities Holding Pte Ltd. During 1994 to 1996, he took up the position of general manager (Leasing and Corporate Services) in Sino Land Company Limited. During 1996 to 2001, he returned to DBS Bank Group and held senior management positions including managing director at DBS Asia Capital Limited, and general manager at DBS Hong Kong Branch. During 2001 to 2004, Mr. Neo served as the Country Officer, China and Head, Corporate Banking, Greater China in United Overseas Bank. Since 2005, he has also held the office of an independent director of China Yuchai International Limited, common stocks of which are listed on the New York Stock Exchange.

Dr. Lau Reimer Mary Jean（劉翁靜晶）, aged 48, was appointed as an independent non-executive Director on 4 November 2010. She is also the chairman of the Nomination Committee and a member of both the Audit Committee and Remuneration Committee of the Company. Dr. Lau received her Master of Laws from the University of Hong Kong in 2001 and her Doctorate degree in Civil and Commercial Law from The China University of Political Science and Law in 2006. Dr. Lau is admitted as solicitor in Hong Kong and England and Wales and has over 10 years of post-qualification legal experience. She is currently a partner of Reimer & Partners. Dr. Lau is the Honourable Treasurer of The University of Hong Kong SPACE Alumni Association, committee member of Youth Criminal Study Trust and legal adviser of a number of organizations and associations.

Mr. Lee Sze Wai（李思衛）, aged 44, was appointed as an independent non-executive Director on 4 November 2010. He is also the chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. Mr. Lee received his Bachelor of Commence degree from University of Wollongong majoring in Accountancy in Australia in 1992. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia, and has more than 20 years of experience in accounting and finance. Mr. Lee worked at Ernst & Young from 1992 to 2000 specializing in assurance and business advisory services and was the chief financial officer of various companies from 2000 to 2012. Since 2006 he has been the director of a CPA firm specializing in assurance and business advisory services.

SENIOR MANAGEMENT

Mr. Ding Lu（丁璐）, aged 40, is the Chief Strategy Officer and Chief Risk Officer of the Company and also a director of Shanghai Yintong and a member of its loan approval committee. Mr. Ding is responsible for the government related affairs, including coordination among various government authorities, risk management of the Group and the assessment and approval of loans of Shanghai Yintong. Mr. Ding graduated from the Beijing University of Aeronautics and Astronautics（北京航空航天大學）with a major in management engineering in 1995. From 1995 to 2000, he worked as an assistant to chairman at the Shanghai International Art Centre Co., Ltd.（上海國際藝術中心有限公司）where he was mainly responsible for its daily operations. From 2001 to 2003, he was employed by Jinhan Investment as an assistant to director. Mr. Ding joined the Group in 2003 as a director of Shanghai Yintong and has since gained over 8 years of experience in the secured financing industry.

Mr. Sun Jun (孫駿), aged 44, the Chief Investment Officer of the Company, joined the Group in September 2012. Mr. Sun was a member of the Shanghai State-owned Asset Management Committee (上海市國有資產管理委員會), Office of the Shanghai Property Transaction Management (上海市產權交易管理辦公室), and the general manager of a few leading asset management and investment companies. Mr. Sun is currently the Chief Executive of Shanghai Justleading Investment Management & Consulting Co., Ltd. (上海嘉實利投資管理公司) and the director of its investee company, Shanghai Skytime Technology Co., Ltd. (上海馳天移動信息技術有限公司). He has extensive experience in capital markets in China and is operating a private equity fund which invests in secondary securities markets. Focusing on merger and acquisition and financial advisory services, he was in charge of a number of high profile projects for international and leading PRC corporations.

Ms. Kuo Kwan Belinda (郭群), aged 42, the Chief Financial Officer and Company Secretary of the Company, is responsible for the overall accounting and finance and company secretarial functions of the Group. Ms. Kuo joined the Group in December 2010. She holds a Bachelor's Degree in Commerce from the University of Melbourne. Prior to joining the Group, she worked for various listed companies in Hong Kong and an international accounting firm. She is a member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Deng Yun (鄧芸), aged 41, the General Manager of the Chongqing microfinance subsidiary, joined the Group in February 2012. Ms. Deng is currently responsible for overseeing daily operations of the Chongqing microfinance subsidiary. In 1995, Ms. Deng obtained her Bachelor's degree in Computer and Finance from International Business School of Shanghai University (上海大學國際商學院) and received her Master degree in Business and Administration from Chongqing University (重慶大學) in 2001. Ms. Deng joined a state-owned bank during 1992 to 2005 and held senior position in the Chongqing branch of The Bank of East Asia (China) Co., Ltd during 2005 to 2012. Having over 19 years of experience in the banking industry, Ms. Deng is well-versed in the relevant rules, regulations and practices of banking and financing industry of the PRC and is familiar with the management and operation of both state-owned and foreign-invested financial institutions.

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 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" (the "Revised Code") of the GEM Listing Rules which came into effect on 1 April 2012 (collectively "the CG Code").

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

A. THE BOARD

A.1 RESPONSIBILITIES AND DELEGATION

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

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

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

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

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

A.2 BOARD COMPOSITION

The Board currently comprises the following directors:–

Executive directors:–

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

Independent non-executive directors:–

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

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

During the period from 1 January 2012 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 complied with Rule 5.05A of the GEM Listing Rules for having at least one-third of its Board members being independent non-executive directors.

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

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

A.3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

A.4 APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

Pursuant to the aforesaid provisions of the Articles of Association, four directors of the Company shall retire at the forthcoming 2013 annual general meeting of the Company and, being eligible, will offer themselves for re-election at the meeting. The Company's circular, sent together with this annual report, contains detailed information of the retiring directors pursuant to the GEM Listing Rules.

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

A.5 INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

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

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

According to the records maintained by the Company, the directors received the following training regarding roles, function and duties of a director of a list company or professional skills in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2012:

Executive Directors	**Reading Materials**	**Attending Seminars/ Briefings**
Mr. Ting Pang Wan, Raymond *(appointed on 6 September 2012)*		✔
Mr. Shi Zhi Jun		✔
Mr. Ji Zu Guang		✔
Ms. Shen Li		✔
Independent and Non-executive Directors		
Mr. Neo Poh Kiat	✔	
Dr. Lau Reimer Mary Jean		✔
Mr. Lee Sze Wai	✔	

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 four full Board meetings which were the regular ones held at approximately quarterly intervals. The attendance of each director is as follows:

	Number of board meetings attended/ Eligible to attend
Mr. Ting Pang Wan, Raymond *(appointed on 6 September 2012)*	1/1
Mr. Shi Zhi Jun	4/4
Mr. Ji Zu Guang	4/4
Ms. Shen Li	4/4
Mr. Neo Poh Kiat	4/4
Dr. Lau Reimer Mary Jean	4/4
Mr. Lee Sze Wai	4/4

There were 12 additional Board meetings held and attended by certain executive directors and independent and non-executive directors for normal course of business during the year. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

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

During the year ended 31 December 2012, the annual general meeting was held on 27 April 2012. The attendance of each director is as follows:

	Number of general meetings attended/ Eligible to attend
Mr. Ting Pang Wan, Raymond *(appointed on 6 September 2012)*	0/0
Mr. Shi Zhi Jun	1/1
Mr. Ji Zu Guang	1/1
Ms. Shen Li	1/1
Mr. Neo Poh Kiat	0/1
Dr. Lau Reimer Mary Jean	1/1
Mr. Lee Sze Wai	1/1

Under the code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings of the Company. Due to personal commitment, Mr. Neo Poh Kiat, the independent non-executive directors of the Company, did not attend the annual general meeting of the Company held on 27 April 2012.

A.7 REQUIRED STANDARD OF DEALINGS

The Company has adopted its securities dealing code (the "Own Code") regarding directors' dealings in the Company's securities by the directors, senior personnel and certain employees of the Group (who are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Specific enquiry has been made of the Company's directors and all of them have confirmed that they have complied with the required standards set out in the Required Standard of Dealings and the Own Code throughout the period from 1 January 2012 to 31 December 2012.

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

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

B. BOARD COMMITTEES

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

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

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

B.1 EXECUTIVE COMMITTEE

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

B.2 REMUNERATION COMMITTEE

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

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

Details of the remuneration of each director of the Company for the year ended 31 December 2012 are set out in note 13 to the financial statements contained in this annual report.

Up to the date of this annual report, the Remuneration Committee met twice with the presence of Mr. Neo Poh Kiat, Dr. Lau Reimer Mary Jean and Mr. Lee Sze Wai and performed the following major tasks:

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

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

During the year ended 31 December 2012, the attendance of each member of the Remuneration Committee is as follows:

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

On 30 March 2012, the Board adopted a set of revised terms of reference of the Remuneration Committee, which has included changes in line with the Revised Code requirement effective from 1 April 2012. The revised terms of reference of the Remuneration Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

B.3 AUDIT COMMITTEE

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

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

During the financial year ended 31 December 2012 and up to the date of this annual report, the Audit Committee met five times with the presence of Mr. Lee Sze Wai, Mr. Neo Poh Kiat and Dr. Lau Reimer Mary Jean, of which 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, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;

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

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

– Review of the Company's continuing connected transactions for the year ended 31 December 2012 pursuant to the GEM Listing Rules.

During the year ended 31 December 2012, the attendance of each member of the Audit Committee is as follows:

	Number of meetings attended/ Eligible to attend
Mr. Lee Sze Wai	5/5
Mr. Neo Poh Kiat	5/5
Dr. Lau Reimer Mary Jean	5/5

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

On 30 March 2012, the Board adopted a set of revised terms of reference of the Audit Committee, which has included changes in line with the Revised Code requirement effective from 1 April 2012. The revised terms of reference of the Audit Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

B.4 NOMINATION COMMITTEE

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

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

Up to the date of this annual report, the Nomination Committee met once with the presence of Dr. Lau Reimer Mary Jean, Mr. Neo Poh Kiat and Mr. Lee Sze Wai and performed the following major tasks:

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

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

– Recommendation on the re-appointment of retiring directors at the 2013 annual general meeting of the Company pursuant to the Articles of Association.

During the year ended 31 December 2012, the attendance of each member of the Nomination Committee is as follows:

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

On 30 March 2012, the Board adopted a set of revised terms of reference of the Nomination Committee, which has included changes in line with the Revised Code requirement effective from 1 April 2012. The revised terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

C. 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 SHINEWING (HK) CPA 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	Fees paid/payable
Audit services	HK$1,000,000
Non-audit services (in relation to issue of RMB-denominated corporate bonds)	HK$70,000
Non-audit services (in relation to bonus issue on outstanding share options)	HK$33,000
TOTAL:	HK$1,103,000

F. CORPORATE GOVERNANCE FUNCTIONS

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

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

– to review and monitor the training and continuous professional development of directors and senior management;

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

– to develop, review and monitor the code of conduct applicable to employees and directors; and

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

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

Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Rooms 2101-05, 21/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong or via email to "info@creditchina.hk" for any inquiries. Inquiries are dealt with in an informative and timely manner.

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

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

H. COMPANY SECRETARY

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

I. SHAREHOLDERS' RIGHTS

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

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website "www.hkgem.com" and the Company's website "www.creditchina.hk" after the relevant shareholders' meetings.

J. INSIDE INFORMATION

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

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

PRINCIPAL ACTIVITIES

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

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 62 to 154.

The Board recommends payment of a final dividend of HK1.55 cents (or equivalent to RMB1.26 cents) per ordinary share of the Company for the financial year ended 31 December 2012 (2011: HK2.06 cents), to the shareholders of the Company whose names are on the register of members on Monday, 27 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 Tuesday, 7 May 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 Friday, 3 May 2013 to Tuesday, 7 May 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 Thursday, 2 May 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 Monday, 27 May 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 23 May 2013 to Monday, 27 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 Wednesday, 22 May 2013. The payment of final dividend will be made on or about Friday, 31 May 2013.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four years is set out in the financial summary on page 155 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 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

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

PLANT AND EQUIPMENT

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

RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 37(b) 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 RMB161.1 million.

MAJOR CUSTOMERS AND SUPPLIERS

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	20.0%
– The total of five largest customers	54.7%

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

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Mr. Ting Pang Wan, Raymond	*(appointed as executive Director on 6 September 2012 and Chairman on 4 October 2012)*
Mr. Shi Zhi Jun	*(re-designated as Deputy Chairman on 4 October 2012)*
Mr. Ji Zu Guang	
Ms. Shen Li	

Independent Non-executive Directors:

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

In accordance with Article 83(3) of the Articles of Association of the Company, Mr. Ting Pang Wan, Raymond, being a Director appointed on 6 September 2012 as an addition to the Board subsequent to the previous annual general meeting, shall hold office only until the Annual General Meeting and being eligible for re-election. Mr. Shi Zhi Jun, Mr. Lee Sze Wai and Dr. Lau Reimer Mary Jean shall retire as Directors at the Annual General Meeting pursuant to Article 84(1) of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 25 to 28 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 unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the executive Director not being re-elected as a Director or being removed by shareholders at general meeting of the Company in accordance with the Articles of Association of the Company.

Save and except for Mr. Ting Pang Wan, Raymond who was appointed as executive Directors and entered into service contract with the Company on 6 September 2012, service contracts between each Directors and the Company commenced since the Listing Date.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

COMPETING INTEREST

Shanghai Xinhua Publishing Group Limited, a substantial shareholder of the Company and Xinrong Asset, a shareholder of Shanghai Yintong, whose principal business is not providing financing services, had made use of their respective idle cash to advance loans to third parties through entrusted loan arrangements during the year, as the interest income derived therefrom could allow them to have a relatively higher return for their respective idle fund. Save and except for the foregoing and for interests in the Group, none of the controlling shareholders nor their respective associates had interests in any other companies which may, directly or indirectly, compete with our Group's business.

In addition, the controlling shareholder of the Company had made an annual declaration on compliance with the non-competition undertaking in favour of the Company. The INEDs have reviewed and confirmed the compliance and enforcement of the non-competition undertaking of the controlling shareholder of the Company.

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 shares of the Company

Name of Director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mr. Shi Zhi Jun	Interest in a controlled corporation	671,000,000 (L)(2)	31.55%
Mr. Ting Pang Wan, Raymond	Beneficial owner	6,000,000 (L)	0.28%

Notes:

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

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

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2012.*

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

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

Name of Director	Capacity	Number of underlying shares interested	Approximate percentage of the Company's issued share capital*
Mr. Shi Zhi Jun	Beneficial owner	19,200,000 (L)	0.90%
Mr. Ji Zu Guang	Beneficial owner	19,200,000 (L)	0.90%
Ms. Shen Li	Beneficial owner	19,200,000 (L)	0.90%
Mr. Neo Poh Kiat	Beneficial owner	600,000 (L)	0.03%
Dr. Lau Reimer Mary Jean	Beneficial owner	600,000 (L)	0.03%
Mr. Lee Sze Wai	Beneficial owner	600,000 (L)	0.03%

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

* *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2012.*

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

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

(iii) Interests in the associated corporation – Shanghai Yintong

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

Notes:

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

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

* The percentage represents the amount of equity interests interested divided by Shanghai Yintong's equity interests as at 31 December 2012.

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:

(i) Interests in shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Kaiser Capital	Beneficial owner	671,000,000 (L)(2)	31.55%
Jiefang Media (UK) Co. Limited ("Jiefang Media")	Beneficial owner	636,222,400 (L)(3)	29.91%
Shanghai Xinhua Publishing Group Limited ("Xinhua Publishing")	Interest in a controlled corporation	636,222,400 (L)(3)	29.91%
Jiefang Daily Group ("Jiefang Group")	Interest in controlled corporations	636,222,400 (L)(3)	29.91%
Shanghai Greenland Group Limited ("Greenland Group")	Interest in controlled corporations	636,222,400 (L)(3)	29.91%
Mr. Yam Tak Cheung	Interest in a controlled corporation	116,193,600 (L)(4)	5.46%
Integrated Asset Management (Asia) Limited ("Integrated Asset")	Beneficial owner	116,193,600 (L)(4)	5.46%

Notes:

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

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

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

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

Notes: (continued)

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

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

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2012.*

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

(a) Pre-IPO Share Option Scheme

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

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

SHARE OPTION SCHEME (continued)

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

Details of movements of the share options granted under the Pre-IPO Scheme during the year ended 31 December 2012 were as follows:

Category	Date of grant	Exercise period	Exercise price per share before bonus issue	Adjusted exercise price per share after bonus issue	Number of share options: As at 1 January 2012	Adjustment arising from bonus issue	Granted during the year	Exercised/ Cancelled/ Lapsed during the year	As at 31 December 2012
Director									
Mr. Shi Zhi Jun	4 November 2010	4 May 2011 to 18 November 2015	HK$0.3125	HK$0.2604	5,600,000	1,120,000	–	–	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.3125	HK$0.2604	5,600,000	1,120,000	–	–	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.3125	HK$0.2604	4,800,000	960,000	–	–	5,760,000
					16,000,000	3,200,000	–	–	19,200,000
Mr. Ji Zu Guang	4 November 2010	4 May 2011 to 18 November 2015	HK$0.3125	HK$0.2604	5,600,000	1,120,000	–	–	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.3125	HK$0.2604	5,600,000	1,120,000	–	–	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.3125	HK$0.2604	4,800,000	960,000	–	–	5,760,000
					16,000,000	3,200,000	–	–	19,200,000
Ms. Shen Li	4 November 2010	4 May 2011 to 18 November 2015	HK$0.3125	HK$0.2604	5,600,000	1,120,000	–	–	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.3125	HK$0.2604	5,600,000	1,120,000	–	–	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.3125	HK$0.2604	4,800,000	960,000	–	–	5,760,000
					16,000,000	3,200,000	–	–	19,200,000
Employee									
Mr. Ding Lu	4 November 2010	4 May 2011 to 18 November 2015	HK$0.3125	HK$0.2604	5,600,000	1,120,000	–	–	6,720,000
	4 November 2010	4 November 2011 to 18 November 2015	HK$0.3125	HK$0.2604	5,600,000	1,120,000	–	–	6,720,000
	4 November 2010	4 May 2012 to 18 November 2015	HK$0.3125	HK$0.2604	4,800,000	960,000	–	–	5,760,000
					16,000,000	3,200,000	–	–	19,200,000
Total					**64,000,000**	**12,800,000**	**–**	**–**	**76,800,000**

Notes:

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

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

SHARE OPTION SCHEME (continued)

(b) Share Option Scheme

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

Details of movements of the share options granted under the Share Option Scheme during the year ended 31 December 2012 were as follows:

					Number of share options				
Category	Date of grant	Exercise period	Exercise price per share before bonus issue	Adjusted exercise price per share after bonus issue	As at 1 January 2012	Adjustment arising from bonus issue	Granted during the period	Exercised/ Cancelled/ Lapsed during the period	At 31 December 2012
Director									
Mr. Neo Poh Kiat	4 April 2011	4 January 2012 to 3 April 2016	HK$1.2060	HK$1.0050	500,000(2)	100,000	–	–	600,000
Dr. Lau Reimer Mary Jean	4 April 2011	4 January 2012 to 3 April 2016	HK$1.2060	HK$1.0050	500,000(2)	100,000	–	–	600,000
Mr. Lee Sze Wai	4 April 2011	4 January 2012 to 3 April 2016	HK$1.2060	HK$1.0050	500,000(2)	100,000	–	–	600,000
					1,500,000	300,000	–	–	1,800,000
Employee	4 April 2011	4 January 2012 to 3 April 2016	HK$1.2060	HK$1.0050	2,570,000(2)	414,000	–	(500,000)	2,484,000
					2,570,000	414,000	–	(500,000)	2,484,000
Consultant	4 April 2011	4 January 2012 to 3 April 2016	HK$1.2060	HK$1.0050	33,200,000(2)	6,640,000	–	–	39,840,000
	27 September 2011	27 September 2011 to 26 September 2016	HK$0.5670	–	17,500,000(3)	–	–	(17,500,000)	–
	27 September 2011	27 March 2012 to 26 September 2016	HK$0.5670	HK$0.4725	35,000,000(3)	6,000,000	–	(5,000,000)	36,000,000
					85,700,000	12,640,000	–	(22,500,000)	75,840,000
Total					89,770,000	13,354,000	–	(23,000,000)	80,124,000

SHARE OPTION SCHEME (continued)

(b) Share Option Scheme (continued)

Notes:

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

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

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

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

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

1. Structure Contracts

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (continued)

1. **Structure Contracts (continued)**

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

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

(1) Management Agreement

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

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

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

(2) Pledge Agreement

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (continued)

2. **Cooperation Framework Agreement**

Shanghai Yintong and Xinrong Asset have entered into the Cooperation Framework Agreement, pursuant to which each of Shanghai Yintong, as lender of pawn loans, and other members of the Group, as lenders of entrusted loans (the "Relevant Lender") may, at its sole discretion upon it agreeing to grant a loan of not less than RMB5 million to a customer, request Xinrong Asset to pay an amount equal to or less than the principal amount of the loan to be advanced to the customer as deposit (the "Deposit"). Payment of the Deposit entitles Xinrong Asset a priority right to purchase all or part of the relevant creditor's rights over collateral pledged or mortgaged to the Relevant Lender (the "Forfeited Collateral") if the customer is in default of repayment of the loan. The term of the Cooperation Framework Agreement is three years commencing from 1 January 2010 to 31 December 2012.

Xinrong Asset was wholly-owned by Xinhua Publishing and a connected person of the Company within the meaning of the GEM Listing Rules. Any sale and purchase of the creditor's rights over the Forfeited Collateral under the Cooperation Framework Agreement constitutes continuing connected transactions for the Company under the GEM Listing Rules.

The interest incurred by the Group to Xinrong Asset during the year ended 31 December 2012 in respect of the Deposit paid amounted to approximately RMB148,000.

For the year ended 31 December 2012, the Group disposed creditor's right over Forfeited Collateral in respect of 2 entrusted loans, at consideration of approximately RMB114,243,000.

The INEDs have reviewed the above continuing connected transactions and confirmed that:

i) in respect of the Structure Contracts, a) the transactions carried out during the year ended 31 December 2012 have been entered into in accordance with the relevant provisions of the Structure Contracts and have been operated so that all revenue generated by Shanghai Yintong has been retained as management and operation fee by Lucky Consultants; b) no dividends or other distributions have been made by Shanghai Yintong to its equity interest holders; and c) any new contracts or renewed contracts have been entered into on the same terms as the existing Structure Contracts and are fair and reasonable so far as the Group is concerned and in the interest of the Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (continued)

ii) in respect of the Cooperation Framework Agreement, the transactions carried out during the year ended 31 December 2012 have been entered into a) in the ordinary and usual course of business of the Group; b) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The INEDs have further confirmed that the values of continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps had not exceeded their respective amounts as stated in the Prospectus.

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

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

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

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

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

iv) with respect to the aggregate amount of each of the continuing connected transactions, they have not found that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus.

RELATED PARTY TRANSACTIONS

Save for the transactions disclosed under "Non-exempt Continuing Connected Transactions", details of the related party transactions entered into by the Group are set out in note 35 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.

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 China Everbright Capital Limited ("China Everbright"), the Company's compliance adviser, neither China Everbright 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.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out on pages 29 to 42 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 SHINEWING (HK) CPA Limited, who will retire and a resolution to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ting Pang Wan, Raymond
Chairman

Hong Kong, 11 March 2013

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

TO THE SHAREHOLDERS OF CREDIT CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Credit China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 154, which comprise the consolidated statement 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 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.

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

Hong Kong
11 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Turnover	7	**302,422**	258,701
Interest income	7	**131,527**	116,706
Interest expenses	10	**(19,427)**	(5,194)
Net interest income		**112,100**	111,512
Financial consultancy service income	7	**170,895**	141,995
		282,995	253,507
Other income	9	**17,537**	6,241
Gain on disposal of subsidiaries	34	**–**	12,823
Administrative and other operating expenses		**(68,548)**	(54,606)
Change in fair value of derivative and embedded derivative components of convertible bond and exchangeable bond		**(2,788)**	(364)
Loss on early redemption of corporate bonds		**(2,466)**	–
Share-based payment expenses		**(2,888)**	(18,913)
Share of results of associates		**(1,015)**	–
Share of results of jointly-controlled entities		**449**	–
Profit before tax	11	**223,276**	198,688
Income tax	12	**(59,002)**	(53,417)
Profit for the year		**164,274**	145,271
Other comprehensive income (expense) for the year:			
Exchange differences on translating foreign operations		**(1,645)**	(1,110)
Fair value adjustment for available-for-sale investments		**2,156**	–
Other comprehensive income (expense) for the year, net of income tax		**511**	(1,110)
Total comprehensive income for the year		**164,785**	144,161

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Profit for the year attributable to:			
Owners of the Company		**149,534**	142,833
Non-controlling interests		**14,740**	2,438
		164,274	145,271
Total comprehensive income for the year attributable to:			
Owners of the Company		**149,702**	141,871
Non-controlling interests		**15,083**	2,290
		164,785	144,161
		RMB	RMB
Earnings per share	16		
Basic		**7.05 cents**	6.93 cents
Diluted		**6.84 cents**	6.65 cents

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Plant and equipment	17	**5,533**	5,562
Available-for-sale investments	18	**34,054**	31,683
Derivatives embedded in convertible bond	18	**28**	2,805
Interests in associates	19	**2,985**	–
Interests in jointly-controlled entities	20	**1,295**	846
		43,895	40,896
Current assets			
Other assets	21	**–**	82
Loan receivables	22	**979,997**	561,067
Prepayments and other receivables	22	**17,153**	1,815
Amounts due from jointly-controlled entities	20	**67,437**	43,758
Early redemption option of an exchangeable bond	28	**–**	38
Promissory note	34	**–**	28,333
Bank balances and cash	23	**212,558**	348,620
		1,277,145	983,713
Current liabilities			
Accruals and other payables	24	**116,068**	17,094
Deposits received	25	**15,878**	130,121
Amounts due to non-controlling shareholders	26	**76,597**	28,739
Borrowings	27	**48,834**	–
Exchangeable bond	28	**–**	48,654
Corporate bonds	30	**–**	98,622
Income tax payables		**49,408**	41,055
		306,785	364,285
Net current assets		**970,360**	619,428
Total assets less current liabilities		**1,014,255**	660,324
Non-current liabilities			
Corporate bonds	30	**252,776**	–
Deferred tax liabilities	29	**4,448**	2,804
		257,224	2,804
Net assets		**757,031**	657,520

	Note	2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital	31	**180,649**	149,870
Reserves		**563,213**	503,887
Equity attributable to owners of the Company		**743,862**	653,757
Non-controlling interests		**13,169**	3,763
Total equity		**757,031**	657,520

The consolidated financial statements on pages 62 to 154 were approved and authorised for issue by the board of directors on 11 March 2013 and are signed on its behalf by:

Mr. Ting Pang Wan, Raymond
Director

Ms. Shen Li
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000 *(Note (a))*	Statutory reserve RMB'000 *(Note (b))*	Retained profits RMB'000	Investment revaluation reserve RMB'000 *(Note (c))*	Exchange reserve RMB'000	Share–based payment reserve RMB'000	Capital reserve RMB'000 *(Note (d))*	Special reserve RMB'000 *(Note (e))*	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	142,363	161,475	8,494	40,722	–	1,728	4,820	(8,861)	40,000	390,741	–	390,741
Profit for the year	–	–	–	142,833	–	–	–	–	–	142,833	2,438	145,271
Other comprehensive expenses												
– exchange differences on translating foreign operations	–	–	–	–	–	(962)	–	–	–	(962)	(148)	(1,110)
Total comprehensive income (expenses) for the year	–	–	–	142,833	–	(962)	–	–	–	141,871	2,290	144,161
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,473	1,473
Issue of shares by placing *(Note 31(a))*	7,507	120,953	–	–	–	–	–	–	–	128,460	–	128,460
Dividend recognised as distribution	–	(26,228)	–	–	–	–	–	–	–	(26,228)	–	(26,228)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	18,913	–	–	18,913	–	18,913
At 31 December 2011	149,870	256,200	8,494	183,555	–	766	23,733	(8,861)	40,000	653,757	3,763	657,520
At 1 January 2012	**149,870**	**256,200**	**8,494**	**183,555**	**–**	**766**	**23,733**	**(8,861)**	**40,000**	**653,757**	**3,763**	**657,520**
Profit for the year	**–**	**–**	**–**	**149,534**	**–**	**–**	**–**	**–**	**–**	**149,534**	**14,740**	**164,274**
Other comprehensive income (expense)												
– exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,988)**	**–**	**–**	**–**	**(1,988)**	**343**	**(1,645)**
– fair value adjustment for available-for-sale investments	**–**	**–**	**–**	**–**	**2,156**	**–**	**–**	**–**	**–**	**2,156**	**–**	**2,156**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**149,534**	**2,156**	**(1,988)**	**–**	**–**	**–**	**149,702**	**15,083**	**164,785**
Issue of shares upon exercise of share options *(Note 31(b))*	**1,827**	**9,055**	**–**	**–**	**–**	**–**	**(522)**	**–**	**–**	**10,360**	**–**	**10,360**
Issue of bonus shares *(Note 31(c))*	**28,952**	**(28,952)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lapsed of share options	**–**	**–**	**–**	**131**	**–**	**–**	**(131)**	**–**	**–**	**–**	**–**	**–**
Acquisition of additional interests in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,790)**	**–**	**(42,790)**	**(6,294)**	**(49,084)**
Deemed partial disposal of subsidiary	**–**	**–**	**–**	**–**	**–**	**151**	**–**	**(605)**	**–**	**(454)**	**617**	**163**
Dividend recognised as distribution	**–**	**(29,601)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,601)**	**–**	**(29,601)**
Appropriation to statutory reserve funds	**–**	**–**	**5,976**	**(5,976)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**2,888**	**–**	**–**	**2,888**	**–**	**2,888**
At 31 December 2012	**180,649**	**206,702**	**14,470**	**327,244**	**2,156**	**(1,071)**	**25,968**	**(52,256)**	**40,000**	**743,862**	**13,169**	**757,031**

(a) Share premium

Under the Companies Law of the Cayman Islands (2009 Revision), the share premium of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay debts as they fall due in the ordinary course of business. During the year ended 31 December 2011 and 31 December 2012, dividends were funded out of its share premium.

(b) Statutory reserve

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

(c) Investment revaluation reserve

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

(d) Capital reserve

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

(e) Special reserve

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

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**223,276**	198,688
Adjustments for:		
Depreciation	**2,158**	1,344
Interest expenses	**19,427**	5,194
Interest income	**(6,638)**	(1,400)
Government grants income	**(6,481)**	(2,800)
Reversal of impairment loss on loan receivables previously recognised	**–**	(273)
Gain on disposal of property held for sale	**–**	(42)
Gain on disposal of subsidiaries	**–**	(12,823)
Share-based payment expenses	**2,888**	18,913
Loss on early redemption of corporate bonds	**2,466**	–
Change in fair value of derivative and embedded derivative components of convertible bond and exchangeable bond	**2,788**	364
Written off of plant and equipment	**59**	36
Share of results of associates	**1,015**	–
Share of results of jointly-controlled entities	**(449)**	–
Waive of interest upon exercise of the exchangeable bond	**(4,408)**	–
Operating cash inflows before movements in working capital	**236,101**	207,201
Decrease in other assets	**82**	57
Increase in loan receivables	**(418,930)**	(352,515)
(Increase) decrease in prepayments and other receivables	**(11,361)**	1,810
Increase in accruals and other payables	**91,890**	15,598
Decrease in deposits received	**(114,243)**	(63,379)
Cash used in operations	**(216,461)**	(191,228)
Income tax paid	**(48,999)**	(26,708)
NET CASH USED IN OPERATING ACTIVITIES	**(265,460)**	(217,936)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
INVESTING ACTIVITIES			
Purchase of plant and equipment		(2,213)	(13,501)
Advance to jointly-controlled entities		(23,679)	–
Capital contribution to associate		(4,000)	–
Net cash outflow from disposal of subsidiaries	34	–	(4,476)
Net proceed from disposal of property held for sale		–	3,038
Interest income received		2,270	1,381
NET CASH USED IN INVESTING ACTIVITIES		(27,622)	(13,558)
FINANCING ACTIVITIES			
Proceeds from issue of shares		10,360	128,460
Proceeds from issuance of corporate bonds		250,000	100,000
Proceeds from issuance of exchangeable bond		–	47,882
Proceeds from promissory note		28,333	–
Advance from non-controlling shareholders		153	28,739
Capital injection from non-controlling shareholders		–	1,473
New loan raised		48,834	–
Government grants received		6,481	2,800
Dividends paid		(29,601)	(26,228)
Transaction costs directly attributable to the issuance of corporate bonds		(5,792)	(5,170)
Early redemption of corporate bonds		(100,000)	–
Net cash outflow from acquisition of additional interest in a subsidiary		(42,000)	–
Interest paid		(8,277)	(630)
NET CASH FROM FINANCING ACTIVITIES		158,491	277,326
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(134,591)	45,832
Effect of foreign exchange rate changes		(1,471)	(1,040)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		348,620	303,828
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		212,558	348,620

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

The Company's principal activity during the year was investment holding. The principal activities of the subsidiaries are set out in note 37(a).

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to Hong Kong Accounting Standards ("HKAS")12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the above amendments to HKFRSs has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[1]
HKFRS 1 (Amendments)	Government loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangement[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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

Annual improvements to HKFRSs 2009-2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation of the Company.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the Group's consolidated financial statements for financial year ending 31 December 2015 and that the application of the new standard will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK(SIC)-Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, this is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the invests to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – Int 13 Jointly-controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly-controlled entities, jointly-controlled assets and jointly-controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly-controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

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

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

The directors of the Company anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

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

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

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

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

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

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries disposed of during the year are included in the consolidated statements of comprehensive income up to the effective date of disposal.

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in the Group's ownership interests in existing subsidiaries

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

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

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Where a group entity transacts with its associates, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interests in the associate that are not related to the Group.

Interests in joint ventures

Jointly-controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint ventures (continued)

Jointly-controlled entities (continued)

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly-controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

When a group entity transacts with its jointly-controlled entity, profits and losses resulting from the transactions with the jointly-controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly-controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment

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

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

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

Impairment losses on tangible assets

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

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

If the recoverable amount of an asset 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 immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets (continued)

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

Cash and cash equivalents

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

Repossessed assets

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

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

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 18.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, including accruals and other payables, deposits received, amounts due to non-controlling shareholders, borrowings, exchangeable bond and corporate bonds, are subsequently measured at the amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Exchangeable bond contains liability component, conversion option derivative and early redemption option derivatives

Exchangeable bond issued by the Group that contains liability, embedded derivatives (conversion option and early redemption options which are not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of an entity's own equity instruments is a conversion option derivative. At the date of issue, both the liability component and embedded derivatives are measured at fair value.

In subsequent periods, the liability component of the exchangeable bond is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the exchangeable bond are allocated to the liability and embedded derivatives in proportion to their relative fair values. Transaction costs relating to the embedded derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the exchangeable bond using the effective interest method.

Embedded derivatives

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

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

Retirement benefit costs

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

Rental income is recognised in accordance with the Group's accounting policy for operating leases (see the accounting policy on leasing below).

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

Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over subsidiaries that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

In prior year, the directors of the Company have determined the functional currency of the Company to be RMB by applying the provisions of paragraph 9 of HKAS 21 "The Effects of Changes in Foreign Exchange Rates" in isolation based on the fact that its primary sources of revenues are dividends which are derived from the operation of its major subsidiary operating in Mainland China, whose functional currency is RMB.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

However, during the year the directors of the Company have revisited the accounting policy in respect of the functional currency of the Company and considered that in determining the Company's functional currency, it would be more appropriate to consider the implication under paragraph 9 of HKAS 21 together with the other factors set out in paragraphs 9-12 of HKAS 21. The Company started its business operation and the directors of the Company have determined the currency of the primary economic environment in which the entities of the Group reside in and operate, i.e. functional currency, to be Hong Kong dollars. The functional currency of the Company has changed from the RMB to Hong Kong dollars with effect from 1 January 2012. The effect of a change in functional currency is accounted for prospectively. Directors of the Company believe that such change will result in more reliable and relevant information about the effects of transactions, financial position, financial performance and cash flows of the Company whose majority of its transactions are denominated in Hong Kong dollars.

As the Company was only incorporated in January 2010 and had minimal business activity up to December 2011 except for the receipt of the proceeds (denominated in Hong Kong dollars) arising from the initial public offering of the Company's shares in November 2010, the effect of this change in functional currency is not material. Thus this change in accounting policy in respect of the functional currency of the Company has not resulted in any material effect on the Group's nor the Company's cash and net asset value position, the Group's and the Company's shareholders' funds, and total equity, and the Company's reserves available for distribution calculated under the Companies Law of the Cayman Islands as previously reported and as such no restated financial statements have been presented.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to directors and employees (continued)

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

Share options granted to business associates

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment losses on loan receivables

The provisioning policy for impairment of loan receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgements. A considerable amount of judgement is required in assessing the ultimate realisation of loan receivables from these customers, if applicable, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required. No impairment loss had been provided for the year ended 31 December 2012 (2011: Nil).

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value of embedded conversion option and early redemption option of an exchangeable bond

The directors of the Company use their judgment in selecting an appropriate valuation technique to determine fair value of the embedded conversion option and early redemption option of the exchangeable bond which are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of these derivative financial instruments are reassessed at the end of each reporting period with movement to the consolidated statement of comprehensive income. In estimating the fair values of these derivative financial instruments, the Group uses independent valuations which are based on various inputs and estimates with reference to quoted market rates and adjusted for specific features of the instrument. If the inputs and estimates applied in the model are different, the carrying amounts of these derivative financial instruments will change. The carrying value of the embedded conversion option and early redemption option of the exchangeable bond at 31 December 2011 were RMB38,000 respectively. Details of the assumptions used are disclosed in note 28.

Share-based payment expenses

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

5. CAPITAL RISK MANAGEMENT

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

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

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

	2012 **RMB'000**	2011 RMB'000
Borrowings	**301,610**	147,276
Less: Bank balances and cash	**(212,558)**	(348,620)
Net debt	**89,052**	N/A
Equity attributable to owners of the Company	**743,862**	653,757
Net debt-to-capital ratio	**12%**	N/A

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

6. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**28**	2,843
Available-for-sale financial assets	**34,054**	31,683
Loans and receivables (including bank balances and cash)	**1,276,125**	982,701
	1,310,207	1,017,227
Financial liabilities		
At amortised costs	**484,194**	314,094

The Group's major financial instruments include available-for-sale financial assets, derivative embedded in convertible bond, loan receivables, other receivables, amount due from jointly-controlled entities, early redemption option of an exchangeable bond, promissory note, bank balances and cash, accruals and other payables, deposits received, amounts due to non-controlling shareholders, borrowings, liabilities component of exchangeable bond and corporate bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (including interest risk and foreign currency risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (continued)

b) Credit risk

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

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

66% (31 December 2011: 90%) of all financing advances given out as at 31 December 2012 are backed by real estate situated in Shanghai or Chongqing, the PRC, as security. The Group also focuses on identifying legal ownership and the valuation of the real estate collaterals. An advance given out is based on the value of collaterals and is in general approximately 30% – 50% (2011: 30% – 50%) of the estimated value of the collaterals. The Group closely monitors the ownership and value of the collaterals throughout the loan period. Advances to customers are due by the date as specified in the corresponding loan agreement.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 16% (31 December 2011: 14%) of the total loan receivables as at 31 December 2012 was due from the Group's largest customer and 40% (31 December 2011: 50%) of the total loan receivables as at 31 December 2012 was due from the Group's five largest customers for the Group's pawn loans business, entrusted loan business and other collateral-backed loan business.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, including Hong Kong, which accounted for 100% (31 December 2011: 100%) of the total loan receivables as at 31 December 2012.

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

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

6. FINANCIAL INSTRUMENTS (continued)

b) Credit risk (continued)

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan receivables is set out in note 22.

c) Liquidity risk

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

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

Liquidity risk tables

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

6. FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk (continued)

Liquidity risk tables (continued)

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	Total undiscounted cash flow RMB'000	Carrying Amount RMB'000
As at 31 December 2011					
Accruals and other payables	–	7,958	–	7,958	7,958
Deposit received	0.29% – 0.4%	130,641	–	130,641	130,121
Amounts due to non-controlling interests	–	28,739	–	28,739	28,739
Exchangeable bond	12%	52,909	–	52,909	48,654
Corporate bonds	9%	115,000	–	115,000	98,622
		335,247	–	335,247	314,094

d) Interest rate risk

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

6. FINANCIAL INSTRUMENTS (continued)

d) Interest rate risk (continued)

The Group's loan receivables, bank balances, deposits received, liabilities portion arising from exchangeable bond and corporate bonds at and interest rates as at 31 December 2012 and 2011 are set as below:

	Interest rate	2012 RMB'000	2011 RMB'000
Fixed rate loan receivables	3.00% – 5.00% per month	**979,997**	561,067
Fixed rate exchangeable bond	12% p.a.	**–**	48,654
Fixed rate corporate bonds	2012: 11.00% p.a. (2011: 9.00% p.a.)	**252,776**	98,622
Variable rate bank balances	2012: 0.01% – 3.50% p.a. (2011: 0.01% – 0.50% p.a.)	**212,558**	348,620
Variable rate deposits received	0.28% – 0.32 % p.a.	**15,878**	130,121

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank balances and deposits received. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

6. FINANCIAL INSTRUMENTS (continued)

d) Interest rate risk (continued)

For variable rate bank balances, if the interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would increase/decrease by approximately RMB782,000 (2011: approximately RMB1,274,000).

For variable rate deposits received, if the interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by approximately RMB60,000 as of 31 December 2012 (2011: RMB476,000).

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at 31 December 2012 and 2011 and had been applied to the exposure to interest risk for financial investments in existence at those dates. The analysis has been performed on the same basis throughout the two years ended 31 December 2012 and 2011.

e) Foreign currency risk

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

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

6. FINANCIAL INSTRUMENTS (continued)

e) Foreign currency risk (continued)

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

	Liabilities		Assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**406**	972	**4,335**	7,571
RMB	**252,776**	–	**127,894**	73,452
US$	**76,191**	77,393	**203**	189,259

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

Sensitivity analysis

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

If a 5% (2011: 5%) increase/decrease in HK$ against the RMB and all other variables were held constant, the Group's profit after tax for the year would increase/decrease by approximately RMB4,739,000 (2011: decrease/increase by approximately RMB2,444,000). The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis includes cash and cash equivalents where the denomination is HK$ other than the functional currency.

If a 5% increase/decrease in US$ against the RMB and all other variables were held constant, the Group's profit after tax for the year would decrease/increase by approximately RMB2,796,000 (2011: increase/decrease by approximately RMB4,090,000). 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis includes cash and cash equivalents where the denomination is US$ other than the functional currency.

6. FINANCIAL INSTRUMENTS (continued)

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values due to their short-term maturities.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at 31 December 2012 and 31 December 2011, the debt component of the convertible bond, derivative embedded in convertible bond and early redemption option of an exchangeable bond were financial instruments that are measured subsequent to initial recognition at fair value under Level 3.

6. FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Early redemption option of an exchangeable bond RMB'000	Debt component of the convertible bond RMB'000	Derivative embedded in convertible bond RMB'000
At 1 January 2011	–	–	–
Issued during the year	38	31,664	3,207
Interest income	–	19	–
Decrease in fair value – in profit or loss	–	–	(402)
At 31 December 2011	38	31,683	2,805
Interest income	–	4,368	–
Change in fair value – in profit or loss	(25)	–	(2,763)
Change in fair value – in other comprehensive income	–	2,156	–
Interest receivable from China Fortune Financial Group Limited ("China Fortune")	–	(3,977)	–
Exchange realignment	–	(176)	(14)
Derecognition upon exercise	(13)	–	–
At 31 December 2012	–	34,054	28

There were no transfer into or out of level 3 during both of the reporting periods.

7. TURNOVER

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

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

	2012	2011
	RMB'000	RMB'000
Interest income		
Real estate pawn loan service income		
– Administration fee income	**6,054**	16,479
– Interest income	**1,522**	2,719
Other collateral-backed pawn loan service income		
– Administration fee income	**2,325**	2,320
– Interest income	**578**	360
Entrusted loan service income		
– Interest income	**91,733**	67,499
Personal property pawn loan service income		
– Administration fee income	**24**	314
– Interest income	**3**	12
Other collateral-backed loan service income		
– Interest income	**5,623**	15,596
Finance lease service income		
– Administration fee income	**–**	6,241
– Interest income	**–**	5,166
Real estate-backed loan service income		
– Interest income	**23,650**	–
Microfinance service income		
– Interest income	**15**	–
	131,527	116,706
Financial consultancy service income	**170,895**	141,995
Turnover	**302,422**	258,701

8. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operation decision maker, which are the most senior executive management, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the provision of financing services in the PRC and Hong Kong.

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

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**276,277**	228,486	**6,078**	2,007
Hong Kong	**26,145**	30,215	**3,735**	4,401
	302,422	258,701	**9,813**	6,408

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

	2012	2011
	RMB'000	RMB'000
Customer A	**60,588**	37,379
Customer B	**34,204**	34,534
Customer C	**32,357**	25,900

9. OTHER INCOME

	2012 RMB'000	2011 RMB'000
Government grants *(Note)*	**6,481**	2,800
Sub-leased rental income	**–**	1,575
Net gain on disposal of other assets	**9**	55
Gain on disposal of property held for sale	**–**	42
Bank interest income	**1,988**	1,381
Interest income on convertible bond	**4,368**	19
Interest income from promissory note for overdue settlement	**282**	–
Reversal of impairment loss on loan receivables previously recognised	**–**	273
Waive of interest upon exercise of the exchangeable bond	**4,408**	–
Others	**1**	96
	17,537	6,241

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

10. INTEREST EXPENSES

	2012 RMB'000	2011 RMB'000
Interest on exchangeable bond	**3,646**	772
Interest on corporate bonds	**15,633**	3,792
Interest on deposits received	**148**	630
	19,427	5,194

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

		2012 RMB'000	2011 RMB'000
(a)	***Staff costs, including directors' remuneration***		
	Salaries, wages and other benefits	**20,187**	15,602
	Contribution to defined contribution retirement benefits scheme *(note 33)*	**1,016**	516
	Share-based payment expenses	**1,768**	17,979
		22,971	34,097
(b)	***Other items***		
	Auditors' remuneration	**900**	886
	Depreciation	**2,158**	1,344
	Net exchange (gain) loss	**(64)**	6,292
	Operating lease charges in respect of properties	**5,790**	4,318
	Written off of plant and equipment	**59**	36

12. INCOME TAX

(a) Taxation in the consolidated statement of comprehensive income represented:

	2012 **RMB'000**	2011 RMB'000
Current tax:		
Provision for PRC Enterprise Income Tax (the "EIT")	**59,055**	48,957
Provision for Hong Kong Profits Tax	**–**	3,167
	59,055	52,124
Over provision in prior year:		
Hong Kong Profits Tax	**(1,697)**	–
Deferred tax *(Note 29)*	**1,644**	1,293
	59,002	53,417

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

(ii) No Hong Kong Profits Tax has been provided for the year ended 31 December 2012 as the Group has no assessable profit for Hong Kong Profits Tax purposes for the year. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2011.

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

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

12. INCOME TAX (continued)

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

	2012 RMB'000	2011 RMB'000
Profit before tax	**223,276**	198,688
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**57,356**	49,706
Over provision in respect of prior year	**(1,697)**	–
Tax effect of expenses not deductible for tax purpose	**3,827**	4,151
Tax effect of incomes not taxable for tax purpose	**(4,314)**	(2,116)
Tax effect of tax losses not recognised	**2,186**	383
Tax effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**1,644**	1,293
Income tax expense for the year	**59,002**	53,417

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 7 (2011: 6) directors and the chief executive were as follows:

	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contribution to retirement benefits scheme RMB'000	Discretionary bonuses RMB'000	Share-based payment transaction expenses RMB'000	Total RMB'000
Year ended 31 December 2012						
Executive directors:						
Mr. Ting Pang Wan, Raymond (Appointed on 6 September 2012)	–	729	2	1,654	–	2,385
Mr. Shi Zhi Jun	–	971	11	342	442	1,766
Mr. Ji Zu Guang	–	1,004	78	356	442	1,880
Ms. Shen Li	–	1,493	78	937	442	2,950
Independent non-executive directors						
Mr. Neo Poh Kiat	142	–	–	–	–	142
Dr. Lau Reimer Mary Jean	142	–	–	–	–	142
Mr. Lee Sze Wai	142	–	–	–	–	142
Total	426	4,197	169	3,289	1,326	9,407
Year ended 31 December 2011						
Executive directors:						
Mr. Shi Zhi Jun	–	983	10	1,731	4,223	6,947
Mr. Ji Zu Guang	–	1,016	66	359	4,223	5,664
Ms. Shen Li	–	1,400	70	537	4,223	6,230
Independent non-executive directors						
Mr. Neo Poh Kiat	100	–	–	–	134	234
Dr. Lau Reimer Mary Jean	100	–	–	–	134	234
Mr. Lee Sze Wai	100	–	–	–	134	234
Total	300	3,399	146	2,627	13,071	19,543

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

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

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

During both years ended 31 December 2012 and 2011, no directors of the Company waived any emoluments.

No emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years ended 31 December 2012 and 2011.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group include four directors (2011: three), whose remuneration are set out in note 13. Details of emolument paid to the remaining one (2011: two) highest paid individual of the Group was as follows:

	2012	2011
	RMB'000	RMB'000
Salaries, allowance, and other benefits	**681**	1,153
Contribution to defined contribution retirement scheme	**46**	10
Discretionary bonuses	**447**	269
Share-based payment expenses	**442**	4,490
	1,616	5,922

14. EMPLOYEES' EMOLUMENTS (continued)

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
HK$ nil to HK$1,000,000	–	–
HK$1,000,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$5,000,000	–	1
	1	2

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2012 and 2011.

15. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
2011 Final – HK2.06 cents (2011: 2010 Final – HK1.87 cents) per share	29,601	26,228

Final dividend for 2012

The final dividend of HK1.55 cents (or equivalent to RMB1.26 cents) per ordinary share in respect of the year ended 31 December 2012 has been proposed by the directors.

The final dividend for 2012 is subject to approval by the Company's shareholders in the forthcoming annual general meeting.

15. DIVIDENDS (continued)

Final dividend for 2011

On 5 March 2012, the Board resolved to proposed a final dividend of HK2.06 cents (or equivalent to RMB1.67 cents) per share and bonus issue on the basis of two bonus shares for every ten existing shares held by the shareholders whose names, appear on the register on 23 May 2012 for the year ended 31 December 2011. The final dividend amounting to HK$36,514,000 (or equivalent to RMB 29,601,000) and bonus issue had been approved by the Company's shareholders in the annual general meeting on 27 April 2012.

16. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2012 is based on the profit attributable to owners of the Company of RMB149,534,000 (2011: RMB142,833,000) and the weighted average of 2,122,525,957 (2011: 2,061,287,671) ordinary shares in issue during the year.

Diluted earnings per share

The calculation of diluted profit per share for the year ended 31 December 2011 does not take into account the outstanding exchangeable bond of a wholly-owned subsidiary, Jovial Lead Limited ("Jovial Lead"), as the exercise of the exchangeable bond would result in an increase in earnings per share.

16. EARNINGS PER SHARE (continued)

Diluted earnings per share (continued)

The calculation of diluted earnings per share for the year ended 31 December 2012 and 2011 is based on the profit attributable to owners of the Company of RMB149,534,000 (2011: RMB142,833,000) and the weighted average of 2,185,837,648 (2011: 2,148,664,294) ordinary shares in issue during the year, calculated as follows:

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,122,525,957**	2,061,287,671
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**63,311,691**	87,376,623
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,185,837,648**	2,148,664,294

The number of ordinary shares for the year ended 31 December 2011 for the purpose of basic and diluted earnings per share has been adjusted for the bonus issue approved pursuant to the annual general meeting held on 27 April 2012.

17. PLANT AND EQUIPMENT

	Office equipments RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
At 1 January 2011	1,361	1,571	–	2,932
Exchange realignment	(7)	(3)	(62)	(72)
Additions	1,210	2,388	9,903	13,501
Written off/disposal	(160)	(250)	–	(410)
Eliminated on disposal of subsidiaries	(822)	(1,658)	(5,511)	(7,991)
At 31 December 2011 and 1 January 2012	1,582	2,048	4,330	7,960
Exchange realignment	(1)	(1)	(24)	(26)
Additions	953	691	569	2,213
Written off	(227)	(87)	–	(314)
At 31 December 2012	2,307	2,651	4,875	9,833
ACCUMULATED DEPRECIATION				
At 1 January 2011	834	1,223	–	2,057
Exchange realignment	(2)	(2)	–	(4)
Charge for the year	170	563	611	1,344
Eliminated on written off/disposal	(124)	(250)	–	(374)
Eliminated on disposal of subsidiaries	(14)	(92)	(519)	(625)
At 31 December 2011 and 1 January 2012	864	1,442	92	2,398
Exchange realignment	–	–	(1)	(1)
Charge for the year	338	667	1,153	2,158
Eliminated on written off	(175)	(80)	–	(255)
At 31 December 2012	1,027	2,029	1,244	4,300
NET BOOK VALUE				
At 31 December 2012	1,280	622	3,631	5,533
At 31 December 2011	718	606	4,238	5,562

17. PLANT AND EQUIPMENT (continued)

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

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

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

	2012	2011
	RMB'000	RMB'000
Available-for-sale investments comprise:		
Unlisted investments		
Debt component of convertible bond classified as non-current asset *(note)*	**34,054**	31,683
Derivatives embedded in convertible bond, at fair value *(note)*	**28**	2,805

Note:

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

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

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

	Debt component RMB'000	Derivative components RMB'000	Total RMB'000
Fair value at date of issue *(note 34)*	31,664	3,207	34,871
Interest income credited to profit or loss	19	–	19
Decrease in fair value	–	(402)	(402)
As at 31 December 2011	31,683	2,805	34,488
Interest income credited to profit or loss	4,368	–	4,368
Change in fair value – in profit or loss	–	(2,763)	(2,763)
Change in fair value – in other comprehensive income	2,156	–	2,156
Interest receivable from China Fortune	(3,977)	–	(3,977)
Exchange realignment	(176)	(14)	(190)
As at 31 December 2012	34,054	28	34,082

The fair value of debt component was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the Convertible Bond issuer and remaining time to maturity. The effective interest rate of the debt element of the Convertible Bond as at 29 December 2011, 31 December 2011 and 31 December 2012 are ranging from 13.27% to 13.83%, from 13.54% to 13.81% and from 9.89% to 9.92% respectively.

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

The Black-Scholes option pricing model is used for the valuation of derivative components of the Convertible Bond. The inputs into the model for the derivative components of the Convertible Bond as at 29 December 2011, 31 December 2011 and 31 December 2012 are as follows:

	As at 29 December 2011	As at 31 December 2011	As at 31 December 2012
Conversion price	HK$0.200	HK$0.200	HK$0.200
Stock price	HK$0.149	HK$0.146	HK$0.101
Volatility	62.20%	62.49%	62.83%
Dividend yield	0.00%	0.00%	0.00%
Option life (years)	3.000	2.995	1.992
Risk free rate	0.57%	0.54%	0.12%

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

19. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of investment, unlisted	4,000	–
Share of post-acquisition loss and other comprehensive expense	(1,015)	–
	2,985	–

Details of the associates as at 31 December 2012 are as follows:

Name of entity	Place of establishment and operation	Percentage of nominal value of registered capital held by the Group				Principal activity
		Directly		Indirectly		
		2012	2011	2012	2011	
上海深鵬投資管理有限公司 (“上海深鵬”)	The PRC	40%	N/A	N/A	N/A	Investment holding
深圳深鵬投資管理有限公司	The PRC	N/A	N/A	40%	N/A	Investment holding

On 30 May 2012, the Group established an associate, 上海深鵬, with a third party investor with initial capital contributions of RMB4,000,000 settled by cash.

19. INTERESTS IN ASSOCIATES (continued)

The summary financial information in respect of the Group's interests in the associates which are accounted for using the equity method is set out below:

	2012 RMB'000
Total assets	12,880
Total liabilities	(5,417)
Net assets	7,463
Group's share of net assets of associates	2,985

	2012 RMB'000
Total revenue	–
Total loss for the year	2,538
Total other comprehensive income	–
Group's share of results and other comprehensive income of associates for the year	(1,015)

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

Details of the jointly-controlled entities as at 31 December 2012 and 2011 are as follows:

Name of entity	Form of entity	Place of incorporations establishment and operation	Class of shares held	Percentage of nominal value of issued capital held by the Group 2012	2011	Principal activity
Measure Up	Limited liability company	BVI	Ordinary shares	**35%**	35%	Investment holding
Lucky Target Property Agency Limited	Limited liability company	Hong Kong	Ordinary shares	**35%**	35%	Investment holding
融通融資租賃(上海)有限公司	Limited liability company	PRC	Registered share capital	**35%**	35%	Provision of finance lease service

	2012 RMB'000	2011 RMB'000
Cost of unlisted investments in jointly-controlled entities	**1,295**	846
Amounts due from jointly-controlled entities	**67,437**	43,758

The above unlisted investments in jointly-controlled entities represented the 35% equity interest in Measure Up. As set out in note 34, during the year ended 31 December 2011, the Group had partially disposed of 65% of its interests in Measure Up held by the Group. The directors of the Company are of the opinion that upon the completion of disposal of the 65% equity interests in Measure Up, the Group had no longer had control over the financing and operating policy decision of Measure Up. Immediately after the disposal, the Group's remaining 35% equity interests in Measure Up with a fair value of approximately RMB846,000 was reclassified as interest in jointly-controlled entities.

The Group holds 35% of the ordinary shares of Measure Up and controls 35% of the voting power in the general meeting. However, under a shareholders' agreement, the major financing and operational decisions of Measure Up should be unanimously approved by the Group and another venture. Therefore, Measure Up and its subsidiaries are regarded as jointly-controlled entities of the Group.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The amounts due from jointly-controlled entities are unsecured, interest-free and repayable on demand.

The summary financial information in respect of the Group's interests in the jointly-controlled entities which are accounted for using the equity method is set out below:

	2012 RMB'000	2011 RMB'000
Current assets	17,614	40,063
Non-current assets	184,467	67,510
Total assets	202,081	107,573
Current liabilities and total liabilities	(198,381)	(105,156)
Net assets	3,700	2,417
Group's share of net assets	1,295	846

	2012 RMB'000	2011 RMB'000
Total revenue	8,427	–
Total profit for the year	1,283	–
Total other comprehensive income	–	–
Group's share of results	449	–

21. OTHER ASSETS

	2012 RMB'000	2011 RMB'000
Repossessed assets	**–**	82

Repossessed assets represent collaterals – personal property, being forfeited by the Group's pawn loan services customers, which are carried at the lower of cost and net realisable value.

22. LOAN RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Loan receivables		
Secured loans		
Pawn loans to customers	**81,999**	63,841
Real estate-backed loans to customers	**181,000**	–
Entrusted loans to customers	**634,750**	464,486
Other collateral-backed loans to customers	**81,390**	32,740
	979,139	561,067
Unsecured micro loans	**858**	–
Less: Impairment loss *(Note 22(c))*	**–**	–
	979,997	561,067
Prepayments and other receivables		
Non-trade nature prepayments and other receivables	**17,153**	1,815
	997,150	562,882

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

The pawn loans to customers arising under the Group's pawn loans business had an average loan period of 90 days (2011: 90 days). The real estate-backed loans had an average loan period of 90 days to 1 year (2011: nil). The entrusted loans to customers arising from the Group's entrusted loan business had an average loan period of 90 days to 1 year (2011: 90 days to 1 year). The other collateral-backed loans to customers arising from the Group's other collateral-backed loan business had an average loan period of 1 year (2011: 1 year). The unsecured micro loans to customers arising from the Group's microfinance business had an average loan period of 2 months to 3 months. The loans provided to customers bore fixed interest rate ranging from 0.3% to 2.2% per month (2011: 0.5% to 3.2% per month) and were repayable according to the loan agreements. Included in the gross balances are loans of approximately RMB649,498,000 (2011: RMB502,701,000) secured by real estates in the PRC, and RMB329,641,000 (2011: RMB58,366,000) secured by other assets inducing equities in private entities and cash deposit.

Included in the loan receivables were balances of approximately RMB634,750,000 (2011: RMB464,486,000) which represented entrusted loans to customers through licensed bank in the PRC.

As at 31 December 2012, the Group held collaterals with value of approximately RMB4,443,000,000 (2011: RMB4,840,000,000) in total over the financing advances to customers.

(a) Ageing analysis

	2012 **RMB'000**	2011 RMB'000
Within 90 days	**634,541**	351,218
91 to 180 days	**187,056**	164,849
181 to 365 days	**108,400**	45,000
Over 365 days	**50,000**	–
	979,997	561,067

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

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

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

(b) Loan receivables that are not impaired

Included in the Group's loan receivable balances were debtors with aggregate carrying amount of approximately RMB100,100,000 (2011: RMB22,243,000) from certain entrusted loan and pawn loan customers, which were past due as at the reporting date, for which the Group has not provided for impairment loss as the Group holds collaterals amounting to approximately RMB213,416,000 (2011: RMB474,788,000) in respect of loan receivables as at 31 December 2012.

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

	2012 **RMB'000**	2011 RMB'000
Within 90 days	**–**	12,243
91 to 180 days	**49,500**	10,000
181 to 365 days	**50,600**	–
	100,100	22,243

The Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default.

For the above past due but not impaired loan receivables, the Group had taken legal action to auction the properties under collateral and subsequent to the reporting period had successfully auctioned the collateral of one defaulted entrusted loan with carrying value of approximately RMB50,000,000, as detail set out in Note 38.

(c) Impairment of loan receivables

The movement of impairment loss of loan receivables during the year is as follows:

	RMB'000
At 1 January 2011	273
Recovery of amount previously impaired	(273)
At 31 December 2011 and 31 December 2012	–

No impairment of loan receivables is individually impaired loan receivable as at 31 December 2012 (31 December 2011: Nil).

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less and carry interest at market rates ranging from 0.01% to 3.5% (2011: 0.01% to 0.5%) per annum.

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

	2012 **RMB'000**	2011 RMB'000
HK$	**4,335**	7,571
RMB	**32,198**	–
US$	**203**	189,221
	36,736	196,792

24. ACCRUALS AND OTHER PAYABLES

	2012 **RMB'000**	2011 RMB'000
Other payables and accrued expenses	**16,675**	7,958
Refundable deposit received from customers	**40,000**	–
Secured deposit received	**26,350**	–
Consideration payable for acquisition of remaining interests in a subsidiary *(note 37(a))*	**7,084**	–
	90,109	7,958
Financing service income receipts in advance	**25,959**	9,136
	116,068	17,094

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

25. DEPOSITS RECEIVED

	2012 RMB'000	2011 RMB'000
Xinrong Asset	**15,878**	130,121

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

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

26. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

27. BORROWINGS

	2012 RMB'000	2011 RMB'000
Unsecured other loan, repayable within one year	**48,834**	–

The borrowings are denominated in HK$, and was unsecured, interest-free and repayable on 15 May 2013.

28. EXCHANGEABLE BOND

On 15 November 2011, Jovial Lead, a wholly-owned subsidiary of the Group, issued to an independent third party an exchangeable bond at a nominal value of US$7,500,000 (approximately RMB47,882,000) ("Exchangeable Bond"). The Exchangeable Bond is denominated in US$. The Exchangeable Bond entitles the bondholder to exchange it into ordinary shares of China Runking Financing Group Holdings Limited ("China Runking") (formerly known as Media Eagle Limited) held by the Group, a 85% owned subsidiary of the Group, at any time between the date of issue of the Exchangeable Bond and its maturity date on 15 November 2012 at an initial conversion price of US$300,000 per share, subject to adjustments. If the Exchangeable Bond has not been converted, it would be redeemed on 15 November 2012 at the nominal value. Interest of 12% per annum will be paid on the maturity date. Upon the exercise of conversion option of the Exchangeable Bond by the Exchangeable Bond holder, the Group's interest in China Runking will be decreased from 85% to 60%. If the whole of the principal amount of the Exchangeable Bond is exchanged in accordance with the conditions to the instrument, the bondholder shall not be entitled to any interest accrued in respect of the whole of the principal amount of the Exchangeable Bond.

Jovial Lead can early redeem the Exchangeable Bond after six months from the issue date up to the date falling ten business days prior to the maturity date at a redemption price equal to the applicable early redemption amount predetermined in the Exchangeable Bond agreement, which is an amount equal to the principal amount of the Exchangeable Bond plus any accrued and unpaid interest. The Exchangeable Bond holder can request Jovial Lead to early redeem the Exchangeable Bond after six months from the issue date up to the date falling ten business days prior to the maturity date, at a redemption price equal to the applicable early redemption amount predetermined in the Exchangeable Bond agreement.

The Exchangeable Bond contains three components, liability component, conversion option derivative and early redemption option. The conversion option derivative and early redemption option are measured at fair value with changes in fair value recognised in profit or loss.

28. EXCHANGEABLE BOND (continued)

The fair value of the liability component was calculated as the present value of the coupon interest payments and the redemption amount. The effective interest rate of the liability component is 11.9%. The embedded conversion option represents the fair value of the Exchangeable Bond holders' option to convert the Exchangeable Bond into equity of China Runking. The Group had assessed the fair value of the embedded conversion option and Jovial Lead and Exchangeable Bond holder's early redemption option with reference to an independent valuation provided by Roma Appraisals, an independent firm of registered professional valuer not connected with the Group. The fair value of the embedded conversion option and Jovial Lead and Exchangeable Bond holder's early redemption option were determined using Black-Scholes Option Pricing Model and the inputs into the model at each respective date were as follows:

Embedded conversion option	**As at 15 November 2011**	**As at 31 December 2011**	**As at 21 August 2012**
Conversion price	US$300,000	US$300,000	US$300,000
Stock price	US$0.128	US$0.129	US$39,361
Volatility	59.21%	58.85%	61.15%
Dividend yield	0%	0%	0%
Option life (years)	1	0.88	0.24
Risk free rate	0.09%	0.09%	0.1%

Early redemption option	**As at 15 November 2011**	**As at 31 December 2011**	**As at 21 August 2012**
Aggregate principal amount	US$7,500,000	US$7,500,000	US$7,500,000
Exercise price	US$7,500,000	US$7,500,000	US$7,500,000
Volatility	19.46%	25.03%	9.92%
Dividend yield	0%	0%	0%
Option life (years)	0.96	0.84	0.2
Risk free rate	0.08%	0.09%	0.1%

28. EXCHANGEABLE BOND (continued)

As China Runking has net liabilities and incurred loss for the year ended 31 December 2011, it is not optimal for the Exchangeable Bond holder to convert China Runking share at the conversion price of US$300,000 per share. Since the conversion option is extremely out of the money, the fair value of embedded conversion option becomes zero.

On 22 August 2012, the Exchangeable Bond holder had exercised the exchange right of the Exchangeable Bond for 25% equity interests in China Runking. The non-controlling interest in China Runking at the deemed partial disposal date was measured by reference to the proportionate share of recognised amounts of net assets of China Runking of approximately RMB617,000. Upon the exercise of Exchangeable Bond by the bondholders, a debt indebted to the Group was assigned to the bondholder and then the non-controlling shareholder, in the sum of US$7,500,000 (approximately RMB47,716,000), and the interests in China Runking were decreased from 85% to 60%.

The movement of the components of the Exchangeable Bond during the year is set out below:

	Liability component RMB'000	Embedded conversion option RMB'000	Early redemption option RMB'000	Total RMB'000
Principal amount at the date of issue	47,882	–	–	47,882
Imputed interest expense arising from initial recognition	26	–	–	26
Changes in fair value on initial recognition	–	–	(38)	(38)
Fair value at date of issue	47,908	–	(38)	47,870
Imputed interest expenses	746	–	–	746
At 31 December 2011	48,654	–	(38)	48,616
Imputed interest expenses	3,646	–	–	3,646
Changes in fair value	–	–	25	25
Waive of interest upon exercise of the Exchangeable Bond	(4,408)	–	–	(4,408)
Derecognition upon exercise of the Exchangeable Bond	(47,892)	–	13	(47,879)
At 31 December 2012	–	–	–	–

29. DEFERRED TAX LIABILITIES

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

	Withholding tax on undistributed profit of subsidiaries in PRC RMB'000
At 1 January 2011	1,511
Charged to profit or loss	1,293
At 31 December 2011	2,804
Charged to profit or loss	1,644
At 31 December 2012	4,448

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

At 31 December 2012, the Group had unused tax losses of approximately RMB14,109,000 (2011: RMB1,532,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss (2011: nil) due to the unpredictability of future profit streams. The unrecognised tax losses of approximately RMB1,532,000 (2011: RMB1,532,000) and RMB1,302,000 (2011: nil) that will expire in 2016 and 2017 respectively. The remaining tax loss may be carried forward indefinitely.

30. CORPORATE BONDS

As at 31 December 2011, the balance represented corporate bonds with principal amounts of RMB100,000,000 which are due on 1 September 2013, carry interest at fixed rate of 9% per annum and interest will be payable semi-annually in arrears on 1 March and 1 September of each year. The corporate bonds are unsecured. The corporate bonds are early redeemed on 18 September 2012 and 14 November 2012.

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

31. SHARE CAPITAL

	Number of shares '000	Share capital Presented as HK$'000	RMB'000
Authorised			
Ordinary shares of HK$0.1 each as at 1 January 2011, 31 December 2011 and 2012	20,000,000	2,000,000	
Issued and fully paid			
Ordinary shares of HK$0.1 each as at 1 January 2011	1,660,000	166,000	142,363
Issue of shares by placing *(Note (a))*	90,000	9,000	7,507
Ordinary shares of HK$0.1 each as at 31 December 2011	1,750,000	175,000	149,870
Exercise of share options *(Note (b))*	22,500	2,250	1,827
Issue of bonus shares *(Note(c))*	354,500	35,450	28,952
Ordinary shares of HK$0.1 each as at 31 December 2012	2,127,000	212,700	180,649

Notes:

(a) On 24 May 2011, Kaiser Capital, the Company and China International Capital Corporation Hong Kong Securities Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Placing Agent has agreed, as agent of Kaiser Capital, on a fully written basis, to procure not less than six placees to purchase, failing which itself as principal to purchase, 90,000,000 placing shares at the placing price of HK$1.75 per placing share. At the same time, Kaiser Capital also entered into a subscription agreement with the Company pursuant to which Kaiser Capital has agreed to subscribe for, and the Company has agreed to allot and issue to Kaiser Capital, the subscription shares at the subscription price of HK$1.75 per subscription share. The placing and the subscription were completed on 27 May 2011 and 7 June 2011 respectively, and 90,000,000 ordinary shares of HK$0.1 each were issued on 7 June 2011.

31. SHARE CAPITAL (continued)

Notes: (continued)

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

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

32. COMMITMENT

Operating lease arrangement

(i) The Group as lessee

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

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

	2012 **RMB'000**	2011 RMB'000
Within one year	**5,108**	3,120
In the second to fifth years inclusive	**4,494**	1,179
	9,602	4,299

32. COMMITMENT (continued)

Operating lease arrangement (continued)

(ii) The Group as lessor

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

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

	2012 **RMB'000**	2011 RMB'000
Within one year	–	957
In the second to fifth years inclusive	–	160
	–	1,117

Capital expenditure commitment

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

	2012 **RMB'000**	2011 RMB'000
Capital expenditure contracted for but not provided for in respect of:		
Acquisition of plant and equipment	**453**	–

33. RETIREMENT BENEFITS SCHEMES

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

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

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

	2012 **RMB'000**	2011 RMB'000
Employers' contributions charged to the consolidated statements of comprehensive income	**1,016**	516

At 31 December 2012 and 31 December 2011, there was no forfeited contribution available to reduce the contributions payable in the future years.

34. DISPOSAL OF SUBSIDIARIES

On 21 December 2011, the Group entered into a sale and purchase agreement with Goodyear International Capital Limited ("Goodyear International") and Promiseasy Limited ("Promiseasy"), independent third parties of the Group, to dispose of 65% equity interest in Measure Up and its subsidiaries (collectively referred to as the "Disposal Group") and the Measure Up Loan amounting to HK$60,000,000 (equivalent to approximately RMB48,906,000), at a consideration of HK$75,000,000 (equivalent to approximately RMB61,388,000), of which approximately HK$34,615,000 (equivalent to approximately RMB28,333,000) was satisfied by promissory note issued by Goodyear International due on 28 June 2012 and bearing no interest. The fair value of the promissory note approximate the consideration as at 29 December 2011 due to the short-term maturity. The remaining approximately HK$40,385,000 (equivalent to approximately RMB33,055,000) was satisfied by convertible bond issued by China Fortune, the ultimate holding company of Promiseasy. The fair value of the convertible bond was approximately RMB34,871,000 as at 29 December 2011, which was based on the professional valuation performed by Roma Appraisals.

Upon completion on 29 December 2011, the Group's interest in the Disposal Group was reduced from 100% to 35%. As a result, the Disposal Group ceased to be subsidiaries of the Group and became jointly-controlled entity of the Group. Further details are set out in the announcement dated 21 December 2011.

	RMB'000
Consideration received:	
Promissory note receivable	28,333
Convertible bond *(note 18)*	34,871
Total consideration received	63,204

34. DISPOSAL OF SUBSIDIARIES (continued)

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	7,366
Finance lease receivables	95,566
Prepayments and other receivables	69
Bank balances and cash	4,310
Accruals and other payables	(10,136)
Measure Up Loan	(83,122)
Dividend payable	(9,542)
Income tax payable	(2,356)
Net assets disposed of:	2,155
Gain on disposal of a subsidiary:	
Consideration received and receivable	63,204
Net assets disposed of	(2,155)
Assignment of Measure Up Loan	(48,906)
Fair value of non-controlling interests transferred to jointly-controlled entities	846
Cost directly attributable to the disposal	(166)
Gain on disposal	12,823
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	4,310
Cost directly attributable to the disposal	166
	4,476

During the period from 1 January 2011 to 29 December 2011, the Disposal Group contributed approximately RMB17,000,000 to the Group's revenue, a profit of approximately RMB12,785,000 to the Group's profit for the year ended 31 December 2011.

35. RELATED PARTIES TRANSACTIONS

Significant related party transactions

(i) The Group paid rental expenses to 上海錦翰投資發展有限公司 (Shanghai Jinhan Investment Development Limited) ("Jinhan Investment") as follows:

	2012	2011
	RMB'000	RMB'000
Jinhan Investment	**630**	630

Mr. Shi Zhi Jun, a director of the Company has beneficial interest in Jinhan Investment.

(ii) The Group paid interest expenses to Xinrong Asset as follows:

	2012	2011
	RMB'000	RMB'000
Interest expenses on deposits received	**148**	630

(iii) Non-recurring transactions:

During the year ended 31 December 2012, the Group entered into certain sale and purchase agreements with Xinrong Asset, to dispose of creditor's right over forfeited collaterals in respect of financing advances provided to 5 entrusted loan customers being secured by real estate at aggregate consideration of approximately RMB114,243,000, which had carrying value of approximately RMB114,243,000 as of the date of disposal with no gain or loss arose.

During the year ended 31 December 2011, the Group entered into certain sale and purchase agreements with Xinrong Asset, to dispose of creditor's right over forfeited collaterals in respect of financing advances provided to 2 entrusted loan customers being secured by real estate at aggregate consideration of approximately RMB86,879,000 which had carrying value of approximately RMB86,879,000 as of the date of disposal with no gain or loss arose.

35. RELATED PARTIES TRANSACTIONS (continued)

Key management personnel remuneration

	2012	2011
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	**5,304**	4,852
Contribution to retirement benefit scheme	**215**	156
Discretionary bonuses	**3,736**	2,896
Share-based payment expenses	**1,768**	17,561
	11,023	25,465

36. SHARE OPTION SCHEME

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company on 4 November 2010, the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") whereby three executive directors of the Group were granted the rights to subscribe for shares of the Company.

The total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Scheme is 64,000,000 shares which were granted on 4 November 2010 with subscription price of HK$0.3125 per share.

The options granted under the Pre-IPO Scheme have vesting period ranging from six to eighteen months commencing from 4 November 2010, being the grant date of the options and the options are exercisable for a period of 5 years. The Company has no legal or contractual obligation to repurchase or settle the options in cash.

36. SHARE OPTION SCHEME (continued)

(b) Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders on 4 November 2010. The Share Option Scheme will remain in force for a period of 10 years, commencing on 19 November 2010.

The maximum number of shares that may be allotted and issued upon exercise of all options which then has been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. Unless approved by the shareholders, no option shall be granted to any person which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such person (including exercised and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of shares in issue as at the date of such new grant.

Share options granted to the Directors, chief executive or substantial shareholders or any of their respective associates is subject to the approval of the Independent Non Executive Directors ("INEDs"). In addition, any grant of share options to a substantial shareholder or an INED or any of their respective associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

The exercise price of the share options is determined by the Board, but shall not be less than whichever is the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of offer, and (iii) the nominal value of the Company's share.

The offer of a grant of share options under the Share Option Scheme may be accepted within a period as specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The Board may at its discretion determine the minimum period for which the option has to be held or other restrictions before the option can be exercised.

An option under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the board of directors of the Company, which must not be more than 10 years from the date of the grant.

36. SHARE OPTION SCHEME (continued)

Details of specific categories of options granted under the Pre-IPO Share Option Scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price Before adjustment	Exercise price After adjustment *(Note 1)*	Fair value at grant date
4 November 2010	4 November 2010 to 3 May 2011	4 May 2011 to 18 November 2015	HK$0.3125	HK$0.2604	HK$9,752,000
	4 November 2010 to 3 November 2011	4 November 2011 to 18 November 2015	HK$0.3125	HK$0.2604	HK$9,829,000
	4 November 2010 to 3 May 2012	4 May 2012 to 18 November 2015	HK$0.3125	HK$0.2604	HK$8,475,000

Details of specific categories of options granted under the Share Option Scheme are as follows:

Date of grant	Vesting period	Exercise period	Exercise price Before adjustment	Exercise price After adjustment *(Note 1)*	Fair value at grant date
4 April 2011	4 April 2011 to 3 January 2012	4 January 2012 to 3 April 2016	HK$1.206	HK$1.005	HK$1,000,000
	4 April 2011 to 3 January 2012	4 January 2012 to 3 April 2016	HK$1.206	HK$1.005	HK$1,309,000
27 September 2011	27 September 2011 to 26 March 2012	27 March 2012 to 26 September 2016	HK$0.567	HK$0.4725	HK$1,000,000
	N/A	27 September 2011 to 26 September 2016	HK$0.567	HK$0.4725	HK$500,000

36. SHARE OPTION SCHEME (continued)

The following table discloses movements of the Company's share options held by employees (including Directors) and business associates during the year:

For the year ended 31 December 2012

Date of Grant	Outstanding as at 1 January 2012	Adjustment made during the year *(Note 1)*	Lapsed during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31 December 2012
Directors and employees						
4 November 2010	64,000,000	12,800,000	–	–	–	76,800,000
4 April 2011	4,070,000	714,000	(500,000)	–	–	4,284,000
Business associates						
4 April 2011	33,200,000	6,640,000	–	–	–	39,840,000
27 September 2011	52,500,000	6,000,000	–	–	(22,500,000)	36,000,000
	153,770,000	26,154,000	(500,000)	–	(22,500,000)	156,924,000
Exercisable at the end of year						156,924,000
Weighted average price	HK$0.616	HK$0.5184	HK$1.005	–	HK$0.4725	HK$0.5184

36. SHARE OPTION SCHEME (continued)

For the year ended 31 December 2011

Date of Grant	Outstanding as at 1 January 2011	Granted during the year	Forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31 December 2011
Directors and employees						
4 November 2010	64,000,000	–	–	–	–	64,000,000
4 April 2011	–	5,460,000	(1,390,000)	–	–	4,070,000
Business associates						
4 April 2011	–	66,400,000	–	(33,200,000)	–	33,200,000
27 September 2011	–	52,500,000	–	–	–	52,500,000
	64,000,000	124,360,000	(1,390,000)	(33,200,000)	–	153,770,000
Exercisable at the end of year						62,300,000
Weighted average price	HK$0.3125	HK$0.936	HK$1.206	HK$1.206	N/A	HK$0.616

No share option was granted during the year ended 31 December 2012 (2011: 124,360,000 shares).

36. SHARE OPTION SCHEME (continued)

The fair values of share options granted to directors and employees were calculated using the Binominal model. The inputs into the model were as follows:

	4 November 2010	4 April 2011
Inputs into the model		
Exercise price	HK$0.3125	HK$1.206
Expected volatility	49.36%	44.61%
Expected life	5 years	2.875 years
Expected dividend yield	2.32%	1.56%
Risk-free rate	1.02%	1.12%

Expected volatility of the options granted under the Pre-IPO Share Option Scheme and Share Option Scheme was determined by using the historical volatility of the share price of comparable companies and the Company respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The fair values of share options granted to business associates were measured at the fair value of the services received.

The Group recognised the total expenses of RMB2,888,000 for the year ended 31 December 2012 (2011: RMB18,913,000) in relation to share options granted by the Company.

Note:

(1) The exercise price of the share options is subject to adjustment in case of rights or bonus issue or other similar changes in the Company's share capital. Following the bonus issue which completed on 30 May 2012, as detailed in note 31(c), the exercise price and the number of the share options outstanding were adjusted accordingly.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2012 RMB'000	2011 RMB'000
Non-current asset			
Investment in subsidiaries	a	**–**	–
Current assets			
Prepayments and other receivables		**8,601**	377
Amounts due from subsidiaries		**638,601**	467,319
Amount due from joint-controlled entities		**6**	–
Bank balances and cash		**34,489**	27,485
		681,697	495,181
Current liabilities			
Accruals		**13,247**	972
Amount due to a subsidiary		**32**	–
Borrowings		**48,834**	–
Corporate bonds		**–**	98,622
Income tax payable		**781**	2,108
		62,894	101,702
Net current assets		**618,803**	393,479
Total assets less current liabilities		**618,803**	393,479
Non-current liability			
Corporate bonds		**252,776**	–
Net assets		**366,027**	393,479
Capital and reserves			
Share Capital		**180,649**	149,870
Reserves	b	**185,378**	243,609
Total equity		**366,027**	393,479

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries

	2012	2011
Unlisted investments, at cost	RMB55	RMB7

Details of the principal subsidiaries held by the Company as at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company Directly 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activities
Ever Step Holdings Limited	BVI 7 December 2009	Ordinary shares	US$1/ US$50,000	100%	100%	N/A	N/A	Investment holding
Media Eagle Investment Limited	Hong Kong 26 September 2012	Ordinary shares	HKD100/ HKD100	60%	N/A	N/A	N/A	Investment holding
High Elite Holdings Limited (“High Elite”) [1]	Hong Kong 23 February 2011	Ordinary shares	HKD3,000,000/ HKD3,000,000	N/A	N/A	100%	70%	Financial consultancy services
Vigo Hong Kong Investment Limited	Hong Kong 2 September 2008	Ordinary shares	HKD1/ HKD10,000	N/A	N/A	100%	100%	Money lending business
Jovial Lead Limited	BVI 10 June 2011	Ordinary shares	US$1/ US$50,000	N/A	N/A	100%	100%	Investment holding
China Runking	Hong Kong 3 June 2011	Ordinary shares	HKD100/ HKD10,000	N/A	N/A	60%	85%	Investment holding
峻岭物業顧問(上海)有限公司##	The PRC 5 May 1998	Registered capital	US$1,000,000/ US$1,000,000	N/A	N/A	100%	100%	Financial consultancy services and entrusted loans business
Shanghai Yintong	The PRC 11 June 2003	Registered capital	RMB40,000,000/ RMB40,000,000	N/A	N/A	100%	100%	Pawn loans business

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company Directly 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activities
康潤企業管理諮詢(重慶)有限公司##	The PRC 6 December 2011	Registered capital	US$500,000/ US$500,000	**N/A**	N/A	**100%**	100%	Financial consultancy services
重慶市兩江新區潤通小額貸款有限公司##	The PRC 18 October 2011	Registered capital	US$30,000,000/ US$30,000,000	**N/A**	N/A	**60%**	85%	Secured financing services and microfinance services
深岩投資諮詢(上海)有限公司##	The PRC 15 September 2011	Registered capital	RMB2,300,000/ RMB2,300,000	**N/A**	N/A	**100%**	70%	Financial consultancy services
嘉頤投資諮詢(上海)有限公司##	The PRC 19 July 2011	Registered capital	RMB2,300,000/ RMB2,300,000	**N/A**	N/A	**70%**	70%	Financial consultancy services
上海深隆投資諮詢有限公司#	The PRC 15 November 2012	Registered capital	RMB500,000/ RMB500,000	**N/A**	N/A	**100%**	N/A	Financial consultancy services
深璟投資諮詢(上海)有限公司#	The PRC 10 November 2011	Registered capital	RMB500,000/ RMB500,000	**N/A**	N/A	**100%**	100%	Financial consultancy services
上海峻屹投資管理有限公司#	The PRC 19 November 2012	Registered capital	RMB60,000,000/ RMB60,000,000	**N/A**	N/A	**100%**	N/A	Entrusted loan financing services
上海嘉震投資諮詢有限公司#	The PRC 15 November 2012	Registered capital	RMB500,000/ RMB500,000	**N/A**	N/A	**70%**	N/A	Financial consultancy services

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Investments in subsidiaries (continued)

Notes:

These entities were established in the PRC as a domestic company.

The entity was established in the PRC as a wholly foreign-owned enterprise.

[1] On 31 October 2012, the Group entered into an agreement to acquire the remaining equity interests of 30% in High Elite in consideration of RMB49,084,000. The non-controlling interest in High Elite recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of High Elite of approximately RMB6,294,000 were released. Upon the completion of the acquisition, High Elite became a wholly-owned subsidiary of the Group.

In the opinion of the directors of the Company, the subsidiaries of the Company listed in the above table principally affected the results, assets and liabilities of the Group. To give details of other subsidiaries would result in particular of excessive length.

None of the subsidiaries had any debt securities issued subsisting at the end of the year or any time during the year, except for one of the subsidiaries had issued Exchangeable Bond as disclosed in note 28.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(b) Reserves of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Total RMB'000
At 1 January 2011	161,475	(17,344)	–	4,820	148,951
Total comprehensive expenses for the year	–	(18,980)	–	–	(18,980)
Recognition of equity-settled share based payments	–	–	–	18,913	18,913
Dividend recognised as distribution	(26,228)	–	–	–	(26,228)
Issue of shares by placing *(Note 31 (a))*	120,953	–	–	–	120,953
At 31 December 2011	256,200	(36,324)	–	23,733	243,609
Loss for the year	–	(9,385)	–	–	(9,385)
Other comprehensive expenses – exchange differences on translation	–	–	(1,714)	–	(1,714)
Total comprehensive (expenses) income for the year	–	(9,385)	(1,714)	–	(11,099)
Issue of shares upon exercise of share options *(Note 31(b))*	9,055	–	–	(522)	8,533
Issue of bonus share *(Note 31(c))*	(28,952)	–	–	–	(28,952)
Recognition of equity-settled share based payments	–	–	–	2,888	2,888
Dividend recognised as distribution	(29,601)	–	–	–	(29,601)
Lapsed of share options	–	131	–	(131)	–
At 31 December 2012	206,702	(45,578)	(1,714)	25,968	185,378

38. EVENT AFTER THE REPORTING PERIOD

(i) On 18 January 2013, Kaiser Capital, the Company and VMS Securities Limited ("VMS Securities") entered into a placing agreement pursuant to which VMS Securities has agreed, as the agent of Kaiser Capital, to procure not less than six placees to purchase up to 240,000,000 placing shares at the placing price of HK$0.80 per placing share. At the same time, Kaiser Capital also entered into a subscription agreement with the Company pursuant to which Kaiser Capital has agreed to subscribe for, and the Company has agreed to allot and issue to Kaiser Capital, up to 240,000,000 subscription shares at the subscription price of HK$0.80 per subscription share. The placing and the subscription were completed on 23 January 2013 and 28 January 2013, respectively, and 240,000,000 ordinary shares of HK$0.10 each were issued on 28 January 2013.

Details are set out in the Company's announcements dated 18 January 2013 and 28 January 2013.

(ii) Subsequent to the year ended 31 December 2012, the Group has taken legal action to auction the properties under collateral for two defaulted entrusted loans and one pawn loan with aggregate carrying value of approximately RMB100,100,000. Up to the date of this report, the collateral of one defaulted entrusted loan with carrying value of approximately RMB50,000,000 was successfully auctioned.

Financial Summary

A summary of the Group's results for the last four financial years and the assets and liabilities of the Group as at 31 December 2012, 2011, 2010 and 2009, as extracted from the published audited financial statements for the years ended 31 December 2012, 2011 and 2010, is set out below. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
RESULTS				
Turnover	**302,422**	258,701	115,169	30,446
Net interest income	**112,100**	111,512	41,742	26,374
Financial consultancy service income	**170,895**	141,995	69,786	834
	282,995	253,507	111,528	27,208
Other income	**17,537**	6,241	2,563	1,829
Gain on disposal of subsidiaries	**–**	12,823	–	–
Administrative and other operating expenses	**(68,548)**	(54,606)	(31,178)	(8,605)
Change in fair value of derivative and embedded derivative components of convertible bonds and exchangeable bond	**(2,788)**	(364)	–	–
Loss on early redemption of corporate bonds	**(2,466)**	–	–	–
Share-based payment expenses	**(2,888)**	(18,913)	(4,820)	–
Share of results of associates	**(1,015)**	–	–	–
Share of results of jointly-controlled entities	**449**	–	–	–
Profit before tax	**223,276**	198,688	78,093	20,432
Income tax	**(59,002)**	(53,417)	(25,799)	(4,880)
Profit for the year	**164,274**	145,271	52,294	15,552
Attributable to:				
Owners of the Company	**149,534**	142,833	52,294	15,552
ASSETS AND LIABILITIES				
Total assets	**1,321,040**	1,024,609	615,377	181,837
Total liabilities	**(564,009)**	(367,089)	(224,636)	(152,338)
Net assets	**757,031**	657,520	390,741	29,499