Differ Group Holding Company Limited

鼎豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8056

Annual Report 2013

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.

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

Mr. HONG Mingxian *(Chairman)*
Mr. NG Chi Chung *(Chief Executive Officer)*
Mr. CAI Huatan

NON-EXECUTIVE DIRECTORS:

Mr. CAI Jianfeng
Mr. WU Qinghan

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. CHAN Sing Nun
Mr. TSANG Hin Man Terence
Mr. Zeng Haisheng

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

23rd Floor, Tower 11
166 Tapu East Road
Xiamen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

19th Floor
Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

COMPANY SECRETARY

TAM Wai Tak Victor

COMPLIANCE OFFICER

CAI Huatan

COMPLIANCE ADVISER

Messis Capital Limited

AUDITOR

BDO Limited

AUTHORISED REPRESENTATIVES

HONG Mingxian
TAM Wai Tak Victor

MEMBERS OF AUDIT COMMITTEE

CHAN Sing Nun *(Chairman)*
TSANG Hin Man Terence
ZENG Haisheng

MEMBERS OF REMUNERATION COMMITTEE

TSANG Hin Man Terence *(Chairman)*
ZENG Haisheng
CHAN Sing Nun

MEMBERS OF NOMINATION COMMITTEE

ZENG Haisheng *(Chairman)*
TSANG Hin Man Terence
CHAN Sing Nun

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, 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 (to be reallocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014)

PRINCIPAL BANKERS

China Construction Bank, Guanyinshan branch
Podium Floor, Tower 4
Guanyinshan Business District
Xiamen, Fujian Province
The PRC

Bank of China, Shishi branch
Bank of China Tower
2059 Baqi Road
Shishi, Fujian Province
The PRC

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

08056

RESULTS

	Year ended 31 December		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Revenue	**76,066**	56,416	21,244
Other income	**5,260**	3,224	2,059
Employee benefit expenses	**(7,739)**	(5,287)	(3,362)
Depreciation and amortisation expenses	**(2,006)**	(1,817)	(825)
Operating lease expenses	**(326)**	(313)	(900)
Other expenses	**(15,056)**	(10,050)	(4,269)
Finance costs	**–**	(526)	(229)
Profit before income tax	**56,199**	41,647	13,718
Income tax expense	**(15,963)**	(10,409)	(3,667)
Profit for the year attributable to the owners of the Company	**40,236**	31,238	10,051

ASSETS AND LIABILITIES

	As at 31 December		
	2013	2012	2011
	RMB'000	RMB'000	RMB'000
Total assets	**549,156**	352,900	289,431
Total liabilities	**(41,345)**	(40,520)	(16,510)
Net assets	**507,811**	312,380	272,921
Equity attributable to the owners of the Company	**507,811**	312,380	272,921

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board"), I am pleased to present to our shareholders the annual report of Differ Group Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

Year 2013 was an important milestone of our Group. On 9 December 2013, our Company was successfully listed on GEM of the Stock Exchange. The successful listing has not only provided us a broader capital base for expansion of our loan and guarantee businesses, but also has the effect of improving our corporate image in order to attract more potential customers and talents to join our Group.

For the year 2013, the Group achieved a satisfactory financial result. During the year under review, the Group had a record high revenue of approximately RMB76.1 million, representing a remarkable growth of approximately 34.8% as compared with the corresponding period of last year. Despite large IPO expenses of approximately RMB7.1 million incurred in 2013, the Group still recorded a profit of RMB40.2 million for the year attributable to owners of the Company, representing an increase of 28.8% from RMB31.2 million in last year. Increased revenue and profit were primarily attributable to our increased revenue generated from our pawn loan services, guarantee services and finance lease services. By contrast, the income generated from our Group's entrusted loan service and financial consultation service have remained stable in 2013 as compared with last year.

The Group will continue to pursue the core value of "professional attitude, innovative services, win-win values". Our goal is to become a leading financial capital management group that is committed to provide small-medium enterprises and individuals with convenient, secure and considerate professional services, and to design and offer custom-made and all-rounded financial service solutions. We expect that the PRC economic situation will continue to grow in 2014 and we believe the financing needs in PRC will remain strong in 2014. Our IPO proceeds will enable us to capture the business opportunities in 2014.

On behalf of the Board, I hereby express my gratitude to all shareholders, investors, customers and business partners for their strong support to our Group. I would also like to thank the directors, management team and other staff members of the Group for their endeavor and contribution. We are confident of achieving good financial performance with our existing businesses such as guarantee, loan and consultancy services in the foreseeable future. More efforts will also be made to explore new business opportunities in relation to financial and financial-related services, so as to increase the profitability of the Group and maximize the returns of shareholders.

EXECUTIVE DIRECTORS

Mr. HONG Mingxian (洪明顯), aged 39, was appointed as our executive Director on 4 December 2012. Mr. Hong is the chairman of our Company and the spouse of Ms. Shi Hongjiao (one of the controlling shareholders of the Company). Mr. Hong is responsible for the overall strategic formulation, management and planning of our Group. Mr. Hong attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in July 2004. Mr. Hong is a member of the Chinese People's Political Consultative Conference for the Xiamen City Siming District Committee (中國人民政治協商會議廈門市思明區委員會), the founding chairman of Xiamen City Quanzhou Chamber of Commerce (廈門市泉州商會), the honorary chairman of Fujian Youth Entrepreneurship Promotion Association (福建青年創業促進會), the vice chairman of Xiamen City Siming District Federation of Industry and Commerce (Chamber of Commerce) (廈門市思明區工商聯(商會)) and the managing vice chairman of Economic Promotion Association for Overseas Chinese with Hometown in Xiamen (廈門市僑鄉經濟促進會). Mr. Hong has about 8 years' experience in corporate management before he joined the Group in September 2008. From August 2007 and September 2009, Mr. Hong worked at a property development company based in Jiangsu Province, PRC and last held the position of executive director.

Mr. NG Chi Chung (吳志忠), aged 41, was appointed as an executive Director on 26 November 2013. Mr. Ng is the chief executive officer of our Company. Mr. Ng is responsible for the overall business development and management of our Group. Mr. Ng attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in January 2008. Mr. Ng has previously worked at various companies in Hong Kong and Shishi, Fujian Province, and has over 10 years' experience in corporate management. From 2002 to 2008, Mr. Ng was a member of the senior management of a vehicle trading company based in Shishi. Mr. Ng joined the Group in September 2008.

Mr. CAI Huatan (蔡華談), aged 54, was appointed as an executive Director on 26 November 2013. Mr. Cai is the compliance officer of our Company. He is also responsible for overall expanding strategy formulation of our Group. Mr. Cai graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in 1996. Before he joined the Group in September 2008, Mr. Cai has approximately 30 years of experience in management and public administration. From 1980 to 2005, Mr. Cai worked for various departments of the governments of Shishi and Quanzhou. Since 2000, Mr. Cai has been a director of a property development company in Shishi.

NON-EXECUTIVE DIRECTORS

Mr. CAI Jianfeng (蔡劍鋒), aged 46, was appointed as a non-executive director on 26 November 2013. Mr. Cai Jianfeng has over 15 years of experience in the manufacturing industry. He has been a vice-chairman of Shishi Lingxiu General Chamber of Commerce (石獅市靈秀商會) since 2005. Mr. Cai Jianfeng is also a member of the Chinese People Political Consultative Committee of Shishi City (石獅市政治協商會議). Mr. Cai Jianfeng is a brother-in-law of Mr. Cai Huatan.

Mr. WU Qinghan (吳清函), aged 50, was appointed as a non-executive director on 26 November 2013. Mr. Wu has over 25 years experience in trading and manufacturing. He has been the chairman of a manufacturing company in Shishi since 2000. He has been the chairman of Shishi Lingxiu General Chamber of Commerce (石獅市靈秀商會) since 2005. Mr. Wu was a director of a group company from April 2010 to May 2012 and a director of another group company from July 2009 to January 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZENG Haisheng (曾海聲), aged 55, was appointed as an independent non-executive director on 26 November 2013. Mr. Zeng graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in October 1996. Since 2006, Mr. Zeng has been the chairman of an investment company in Xiamen.

Mr. Tsang Hin Man Terence (曾憲文), aged 51, was appointed as an independent non-executive Director on 26 November 2013. Mr. Tsang was admitted as a solicitor in Hong Kong since 1993 and he is currently the sole proprietor of Tsang & Co., H.M.. Mr. Tsang obtained a bachelor's degree in science from the University College London, the University of London in 1986. He also holds a bachelor's degree in law from the Polytechnic of Central London (now known as the University of Westminster) London. Other than his directorship in the Company, Mr. Tsang is currently an independent non-executive director of Lee & Man Handbags Holding Limited (Stock code: 1488).

Mr. CHAN Sing Nun (陳星能), aged 39, joined the Group as an independent non-executive Director on 26 November 2013. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Chan has over 14 years' experience in auditing, accounting and financial management. Mr. Chan currently is a director of an audit firm in Hong Kong.

SENIOR MANAGEMENT

Mr. CAI Xiacheng (蔡廈程), aged 31, is the chief operations officer of our Group and is responsible for the daily operation of our Group. Mr. Cai had about 5 years of experience in the finance industry before he joined our Group in February 2012. He is the son-in-law of Mr. Cai Huatan.

Mr. TAM Wai Tak Victor (譚偉德), aged 36, is the financial controller and company secretary of our Group. Mr. Tam joined our Group in late January 2013. He is responsible for financial reporting and company secretarial matters of our Group. Mr. Tam graduated with a bachelor of arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

From January 2002 to February 2005, Mr. Tam was employed as an audit assistant at a local audit firm and was subsequently promoted to senior auditor. From April 2005 to January 2010, he assumed the positions of senior accountant and manager at Grant Thornton where he acted as audit in-charge/manager to lead the audit teams in providing professional audit services. From January 2010 to November 2010, he worked as a financial controller for a private company. From January 2011 to January 2013, he joined BDO Limited as an audit manager and was subsequently promoted to senior manager.

Mr. TONG Yuqiang (佟玉強), aged 42, is the general finance manager of our Group and is responsible for the accounting and financial management of our Group. Mr. Tong is a member of the Chinese Institute of Certified Public Accountants. Mr. Tong obtained a diploma in industrial accounting in 1992 from Sichuan Industrial Institute (四川工業學院) (now known as Xihua University (西華大學)). Before joining our Group in February 2012, Mr. Tong had about 20 years' experience in accounting, financial management and corporate management in various corporations in the PRC.

Mr. DAI Yunshan (戴雲山), aged 57, is our chief operating officer in guarantee business and is responsible for guarantee business management. Mr. Dai attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in April 1991. Mr. Dai had about 30 years of experience in the banking and guarantee industry. Mr. Dai had taken various managerial positions in a Chinese bank and two guarantee companies since 1979 before he joined our Group in January 2012.

Mr. Chu Sung Fai (朱宋輝), aged 56, is our chief operating officer in pawn business and is responsible for the overall pawn business management of the Group. Mr. Chu obtained a diploma in management in 1983 from the Open University of Fujian (福建廣播電視大學) (a long distance learning course). Before joining our Group in 2011, Mr. Chu had about 12 years' experience working at managerial positions in two real estate companies in the PRC.

BUSINESS REVIEW

As an integrated financing service provider, the Group mainly provide short to medium-term financing and financing-related solutions in Fujian Province. During the year ended 31 December 2013, the revenue was mainly derived from the provision of (i) guarantee services, (ii) pawn loan services, (iii) financial consultation services, (iv) entrusted loan services and (v) finance lease services to our customers.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately RMB56.4 million for the year ended 31 December 2012 to approximately RMB76.1 million for the year ended 31 December 2013, representing an increase of approximately RMB19.7 million or 34.8%. The increase was attributable to the net effect of the following reasons:

Guarantee services

We mainly provided the financing guarantee services during the years ended 31 December 2012 and 2013. Our Group's guarantee service income increased by 76.9% from approximately RMB8.4 million for the year ended 31 December 2012 to approximately RMB14.9 million for the year ended 31 December 2013. Our Group continued to expand our financing guarantee services in our home market in Fujian Province. The increase in income from our guarantee services was mainly attributable to the following reasons:

(i) the number of financing guarantee contracts with revenue contribution increased from 113 for the year ended 31 December 2012 to 170 for the year ended 31 December 2013; and

(ii) the total guaranteed amount of new contracts increased from approximately RMB403.4 million for the year ended 31 December 2012 to RMB521.2 million for the year ended 31 December 2013.

Pawn loan services

Our Group's pawn loan service income increased by 111.8% from approximately RMB6.0 million for the year ended 31 December 2012 to approximately RMB12.7 million for the year ended 31 December 2013. Although we have refrained from granting any new motor vehicle pawn loan since June 2012, we have further developed our movable property pawn loans business by accepting other collateral such as gold and antiques. In addition, the maximum pawn loan amount to a single customer increased from approximately RMB2.5 million to RMB7.5 million due to the increase in registered capital of Differ Pawn in July 2012.

The increase in pawn loan service income was mainly attributable to the following reasons:

(i) the number of pawn loan contracts with revenue contribution increased from 51 for the year ended 31 December 2012 to 54 for the year ended 31 December 2013; and

(ii) the total amount of pawn loans granted of new contracts increased from approximately RMB70.3 million for the year ended 31 December 2012 to RMB95.6 million for the year ended 31 December 2013.

Financial consultation services

The financial consultation service income of our Group slightly increased from approximately RMB19.1 million for the year ended 31 December 2012 to RMB19.7 million for the year ended 31 December 2013. The increase in financial consultation services income was mainly due to the increase in the number of financial consultation services, which charged our customers based on certain percentage of the amount of financing obtained as a result of our consultation, from 14 for the year ended 31 December 2012 to 16 for the year ended 31 December 2013. As the Group expanded the financial consultation business, the number of new clients referred to us by third parties also increased during that period.

Entrusted loan services

Our Group's entrusted loan service income slightly decreased by 1.6% from approximately RMB22.4 million for the year ended 31 December 2012 to RMB22.0 million for the year ended 31 December 2013. The decrease of entrusted loan service income was mainly attributable to the following reasons:

(i) the number of entrusted loan contracts with revenue contribution decreased from 20 for the year ended 31 December 2012 to 17 for the year ended 31 December 2013; and

(ii) the total amount of entrusted loans granted of new contracts decreased from approximately RMB400 million for the year ended 31 December 2012 to RMB319 million for the year ended 31 December 2013.

Finance lease services

For the years ended 31 December 2012 and 2013, our Group's finance lease service income was approximately RMB0.5 million and RMB6.7 million respectively. For the year ended 31 December 2013, we have eight finance lease transactions with revenue contribution as compared with only one transaction for the corresponding period of last year. We purchased certain manufacturing machineries from our customers or suppliers designated by our customers and leased such machineries back to our customers for a lease period from 24 months to 36 months for a monthly rental payment.

Other income

Other income increased from approximately RMB3.2 million for the year ended 31 December 2012 to approximately RMB5.3 million for the year ended 31 December 2013, representing an increase of approximately RMB2.1 million or 63.2%. Our Group's other income mainly represented the bank interest income and the government grant. The increase in other income was mainly due to the fact that we have received the government grant in relation to our guarantee business of approximately RMB3.9 million during the year ended 31 December 2013 but only approximately RMB1.7 million government grant received during the year ended 31 December 2012.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB5.3 million for the year ended 31 December 2012 to approximately RMB7.7 million for the year ended 31 December 2013, representing an increase of approximately RMB2.4 million or 46.4%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase in directors' emoluments and other staff salaries as our Group hired more staff for business expansion and listing.

Other expenses

The other expenses increased from approximately RMB10.1 million for the year ended 31 December 2012 to approximately RMB15.1 million for the year ended 31 December 2013, representing an increase of approximately RMB5.0 million or 49.8%. The increase in other expenses was mainly attributable to increase in travelling and entertainment expenses which was in line with our business expansion. In addition, the listing expenses increased from approximately RMB2.8 million for the year ended 31 December 2012 to RMB7.1 million for the year ended 31 December 2013.

Finance costs

For the years ended 31 December 2012 and 2013, our Group's finance costs were approximately RMB0.5 million and nil respectively. Since the bank loans have been fully repaid during 2012, there was no financial cost for the year ended 31 December 2013.

Profit for the year attributable to the owners of the Company

Our Group's profit for the year was approximately RMB40.2 million for the year ended 31 December 2013, representing an increase of approximately RMB9.0 million, or 28.8%, from approximately RMB31.2 million for the year ended 31 December 2012.

OUTLOOK

In recent years, the PRC has been adopting a tight credit policy which increases the difficulties in obtaining financing by SMEs from banks. Under the prevailing restrictive credit environment, it has been reported that banks in the PRC has curtailed lending to SMEs and tended to grant loans only to large and established corporations with good reputation and good credit records. It has therefore become more difficult for SMEs to obtain bank loans. As a result, our Directors believe that some of the SMEs might have turned to pursue alternative financing channels, including the Group's guarantee, pawn loans, entrusted loans, financial consultation and finance lease services which are the principal services of the Group. In addition, we expect the RPC economic situation will continue to grow in 2014. We will continue monitoring the ongoing market development of our existing businesses and we will consider exploring other new businesses of short to medium-term financing and financing-related solutions.

In conclusion, the Board has an optimistic view on the Group's business and believes that, both of the revenue and profit will grow faster in 2014.

ADVANCE TO AN ENTITY

Pursuant to Rule 17.15 of the GEM Listing Rules, a general disclosure obligations arises where an advance to an entity from the Group exceeds 8% of the total assets of the Group. As at 31 December 2013, the Group's total assets were approximately RMB549.2 million. Pursuant to Rule 17.22 of the GME Listing Rules, details of advances as defined under Rule 17.15 of the GEM Listing Rules which remained outstanding as at 31 December 2013 were as follow:

(a) the entrusted loan agreement dated 22 July 2013 (the "Entrusted Loan Agreement A") was granted by Xiamen Differ Venture Capital Company Limited ("Differ VC"), an indirect wholly-owned subsidiary of the Company to 廈門九天豪杰實業有限公司 (Xiamen Jiu Tian Hao Jie Industrial Limited)(the "Customer") through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB33,000,000 for the purpose of lending the same to the Customer for a period from 22 July 2013 to 21 January 2014.

(b) in addition, the entrusted loan agreement dated 7 November 2013 (the "Entrusted Loan Agreement B") was granted by Differ VC to the Customer through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB17,000,000 for the purpose of lending the same to the Customer for a period from 7 November 2013 to 6 February 2014.

(c) the aggregate principal amount of Entrusted Loan Agreement A and Entrusted Loan Agreement B was RMB50,000,000.

The principal terms of Entrusted Loan Agreement A and Entrusted Loan Agreement B are as follows:

Aggregate principal amount:	RMB50 million.
Interest rate:	1.8% per month.
Loan period:	as mentioned above.
Repayment:	the Customer shall repay the interests on a monthly basis and the principal amount at the end of the loan period.

Security and guarantees:

(i) the pledge of a piece of residential land in the PRC which is valued by an independent valuer at approximately RMB80,369,000;

(ii) personal guarantees of two individuals who are related to the Customer; and

(iii) corporate guarantee of three companies which are related to the Customer and are principally engaged in real estate development in the PRC.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities (2012: Nil).

CAPITAL COMMITMENT

As at 31 December 2013, the Group did not have any capital commitments contracted but not provided for in the financial statements (2012: Nil).

FOREIGN EXCHANGE RISK MANAGEMENT

The exposure to currency exchange rate of the Group is minimal as majority of the Group's subsidiaries operates in the PRC with most of the transaction denominated and settled in RMB. The Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on our Group's financial performance.

TREASURY POLICIES

The Group continuously monitors our current and expected liquidity requirements as well as our cash and receivables in order to ensure that we maintain sufficient liquidity to meet our liquidity requirements. In particular, we monitor the ageing of our loan and account receivables as well as the maturity profile of our financial liabilities under the guarantees provided to our customers.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the prospectus of the Company dated 3 December 2013 (the "Prospectus"), there was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2013.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

HUMAN RESOURCES

As at 31 December 2013, the Group had a total of 105 employees (2012: 71). The staff costs (included Directors' emoluments) were approximately RMB7.7 million for the year ended 31 December 2013 (2012: RMB5.3 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

During the year ended 31 December 2013, the Company has not granted any share options to its employees or Directors under the share option scheme of the Company adopted on 26 November 2013. The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund Scheme and insurance for its employees in Hong Kong.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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 2013.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB298.6 million (2012: 145.1 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was nil as at 31 December 2013 (2012: Nil). The current ratio is 18.8 times as at 31 December 2013 (2012: 8.1 times). During the year, the Group did not use any financial instruments for hedging purpose.

MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

The Group maximum exposure under the financial guarantee contracts is disclosed as below:

	2013 **RMB'000**	2012 RMB'000
Financial guarantee issued		
Maximum amount guaranteed	**503,678**	408,310

To mitigate such risk, the Group requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. In order to maintain the credit risk at desirable levels, the Group's average loan-to-value ratio was kept at a level that could ensure the recoverability of the outstanding guarantee amount. At the reporting date, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers as follows:

	2013 **RMB'000**	2012 RMB'000
Real estate	**186,285**	378,286
Inventories	**684,368**	393,963
Machinery	**117,891**	74,591
Motor vehicles	**2,448**	9,431
Property rights	**2,050**	167,599
	993,042	1,023,870

In respect of the Group's financing guarantee business, we have not been asked to honour our financing obligations during the years ended 31 December 2013 and 2012.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives for the period from 25 November 2013 to 31 December 2013 as stated in the Prospectus	Actual business progress for the period from 25 November 2013 to 31 December 2013
1. Further development of our finance lease business	
– N/A	– The Company was listed on GEM of the Stock Exchange on 9 December 2013. The Group originally expected the capital injection to Differ Lease will be completed in early 2014 as the expected approval time by relevant PRC authority was uncertain. Finally, the capital injection to Differ Lease has been completed in late December 2013 and we have contributed the share capital of Differ Lease by making use of proceeds from the Placing.
2. Strengthening of our entrusted loan business	
– Expand our entrusted loan business by injection addition funds into Differ Holding or Differ VC	– As at 31 December 2013, the Group obtained the approval from the relevant PRC authority for capital injection to Differ Holding. The Group has also granted entrusted loans to customers by making use of proceeds from the Placing.
3. Enhancement of our guarantee services	
– Increase our restricted bank deposits so as to increase the guarantee limits in banks	– The Group is negotiating with banks to increase guarantee limits.

USE OF PROCEEDS

The business objectives, future plans and planned use of proceeds as stated in the Prospectus (the updated amount of net proceeds is presented on the allotment results dated 6 December 2013) (the "Announcement") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the IPO proceeds were applied based on the actual development of our business and financial industry. During the period from 25 November 2013 to 31 December 2013, the net IPO proceeds from the Placing had been applied as follows:

	Planned use of proceeds as stated in the Announcement from 25 November 2013 2013 to 31 December 2013 HK$' million	**Actual use of proceeds from 25 November 2013 to 31 December 2013** HK$' million
1. Further development of our finance lease business	–	78.0
2. Strengthening of our entrusted loan business	34.3	25.6
3. Enhance of guarantee services	11.4	–

The Directors are pleased to present their first report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2013.

CORPORATION ORGANISATION AND USE OF PROCEEDS FROM PLACING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. Pursuant to a reorganisation to rationalise the group structure in preparation for the Listing, the Company became the holding company of the Group. Details of the reorganisation are set out in the prospectus of the Company dated 3 December 2013 (the "Prospectus"). The Company was listed on GEM of the Stock Exchange on 9 December 2013.

The proceeds from the Company's issue of 250,000,000 new shares at the time of the Listing amounted to approximately HK$173.8 million; net of underwriting fees and other listing expenses. For further details of the use of proceeds, please kindly refer to the section headed "Use of Proceeds" on page 13 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 84 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past three years is set out in the financial summary on page 3 of this annual report. This summary does not form part of the audited financial statements in this report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 27 to the financial statements in this report.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the property, plant and equipment of the Group for the year ended 31 December 2013 are set out in note 16 to the financial statements in this report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of change in equity, respectively in the report. Details of the distributable reserves of the Company are set out in note 28 to the financial statements. The Company's reserves available for distribution to members as at 31 December 2013 amounted to approximately RMB133.3 million.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

The issued shares of the Company were listed on GEM of the Stock Exchange on 9 December 2013. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing.

MAJOR CUSTOMERS

For the year ended 31 December 2013, the percentage of revenue attributable to the Group's major customers are as follows:

Revenue

– The largest customer	15.7%
– The total of five largest customers	40.9%

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

DIRECTORS

The Directors of the Company since the Listing Date and up to the date of this report are:

Executive Directors

Mr. Hong Mingxian ("Mr. Hong")	(appointed on 4 December 2012)
Mr. Ng Chi Chung	(appointed on 26 November 2013)
Mr. Cai Huatan ("Mr. Cai")	(appointed on 26 November 2013)

Non-executive Directors

Mr. Cai Jianfeng	(appointed on 26 November 2013)
Mr. Wu Qinghan	(appointed on 26 November 2013)

Independent Non-executive Directors

Mr. Chan Sing Nun	(appointed on 26 November 2013)
Mr. Tsang Hin Man Terence	(appointed on 26 November 2013)
Mr. Zeng Haisheng	(appointed on 26 November 2013)

In accordance with article 83 of the Company's articles of association, all Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM").

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 5 to 7 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from 26 November 2013 and renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Each of the non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment with the Company on 26 November 2013. Each letter of appointment is for an initial term commencing on the date of the letter of appointment of three years unless terminated by either party giving at least one month's notice in writing. All the Directors are subject to retirement by rotation and re-election at the AGM of the Company pursuant to its articles of association.

None of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in "Non-exempt Continuing Connected Transactions" below, 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 AND REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures" below, at no time during the year ended 31 December 2013 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme was adopted by the Company on 26 November 2013, the principal terms of which are set out in the paragraph headed "Share Option Scheme" under the section headed "Statutory and General Information" of the Prospectus dated 3 December 2013. No share options were granted, exercised or cancelled by the Company under the Scheme during the year and there were no outstanding share options under the Scheme as at 31 December 2013.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year are set out in note 30 to the financial statements in this report.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Structured Agreements

The Structured Agreements (as defined in the Prospectus) were entered into in order to enable our Group to manage the business of Fujian Differ Pawn Company Limited ("Differ Pawn") in the PRC, under which all the business, financial and operating activities of Differ Pawn are managed by Differ Holding (Xiamen) Company Limited ("Differ Holding") (now know as Differ Group (Xiamen) Company Limited) and all economic benefits and risks arising from the business, financial and operating activities of Differ Pawn are transferred to Differ Holding by means of management and consultation fees payable by Differ Pawn to Differ Holding.

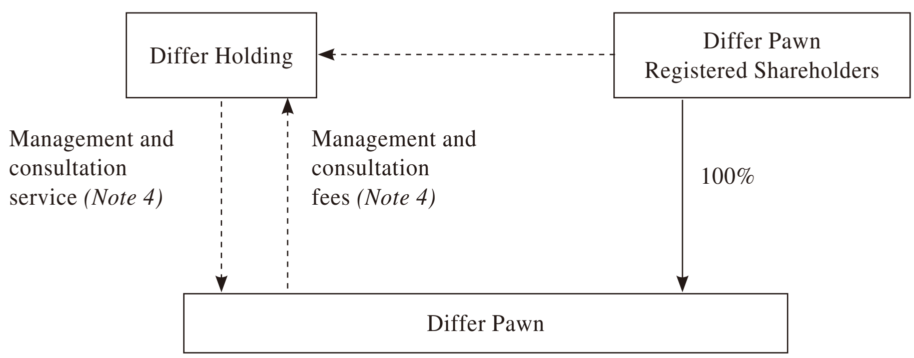
The following simplified diagram illustrates the flow of economic benefits from Differ Pawn to Differ Holding stipulated under the Structured Agreements:

(1) Power of Attorney to exercise all shareholders' rights in Differ Pawn *(Note 1)*

(2) Exclusive option to acquire all or part of the equity interest in Differ Pawn *(Note 2)*

(3) Differ Holding as custodian to manage the entire equity interest in Differ Pawn *(Note 2)*

(4) First priority security interest over the entire equity interest in Differ Pawn *(Note 3)*



Notes:

1. Please refer to the section headed "Power of Attorney" in this report for further details.

2. Please refer to the section headed "Exclusive Option and Equity Custodian Agreement" in this report for further details.

3. Please refer to the section headed "Equity Pledge Agreement" in this report for further details.

4. Please refer to the section headed "Exclusive Management and Consulting Services Agreement" in this report for further details.

5. "______" denotes direct legal and beneficial ownership in the equity interest and "- - - - - -" denotes contractual relationship.

Differ Holding, Differ Pawn, Fujian Audi Industry and Trade Company Limited ("Audi") and Fujian Differ Venture Capital Company Limited ("Fujian VC") (Audi and Fujian VC being the then immediate shareholders of Differ Pawn holding (the "Differ Pawn Registered Shareholders"), in aggregate, the entire equity interest of Differ Pawn) entered into the Structured Agreements on 16 July 2012.

Exclusive Management and Consulting Services Agreement

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

– unless Differ Holding consents in writing in advance, Differ Pawn shall not directly or indirectly accept management and consultation services provided by any third party or establish cooperative relationship with any third party in respect of the management and consultation services;

– the board of directors of Differ Pawn shall be nominated by Differ Holding, and Differ Pawn shall cause those directors to elect the candidate recommended by Differ Holding as the chairman;

– Differ Holding shall be solely responsible for the selection of Differ Pawn's senior management and employees, its finance, management and daily operations, and Differ Pawn shall comply with all directions and opinions from Differ Holding; and

– the management and consultation fees payable by Differ Pawn to Differ Holding shall be equivalent to the total revenue of Differ Pawn less all the related costs, expenses and taxes. Differ Holding shall be entitled to appoint its employees or external auditors to audit the financial conditions of Differ Pawn when it considers necessary.

The current Exclusive Management and Consulting Services Agreement is effective from 16 July 2012 and will remain effective during their respective term of operation of Differ Pawn and Differ Holding unless the parties agree to terminate the agreement prior to its expiration.

Equity Pledge Agreements

– the Differ Pawn Registered Shareholders have granted to Differ Holding a first priority security interest over all their respective direct equity interest in Differ Pawn for guaranteeing the performance of obligations of the Differ Pawn Registered Shareholders and Differ Pawn under the Exclusive Management and Consulting Services Agreement and the Exclusive Option and Equity Custodian Agreements, such obligations include, among others, payment of management and consultation fees for the management and consultation service, interests, compensation etc.;

– during the term of the pledges, Differ Holding shall be entitled to all dividends or distribution in any other forms derived from the pledged equity interests and to exercise its right to deal with the pledged equity interests in a manner permitted by the relevant PRC laws if Differ Pawn and/or the Differ Pawn Registered Shareholders cannot fully perform their respective obligations under the Exclusive Management and Consulting Services Agreement, Power of Attorney, and/or the Exclusive Option and Equity Custodian Agreement; and

– during the term of the Equity Pledge Agreements, the Differ Pawn Registered Shareholders shall not transfer, create or permit the existence of other security interest over the pledged equity interests in Differ Pawn without the prior written consent of Differ Holding.

The current Equity Pledge Agreements is effective from the date on which the pledges have been registered in Differ Pawn's register of members while the pledges created thereunder shall become effective upon such pledges having been duly registered with relevant administration for industry and commerce, and will remain effective until the fulfillment, expiration or termination of all of the Exclusive Management and Consulting Services Agreement, Power of Attorney, and the Exclusive Option and Equity Custodian Agreement. The pledges from the two Differ Pawn Registered Shareholders, Aidu and Fujian VC, under the Equity Pledge Agreements have been registered in Differ Pawn's register of members, and were duly registered with the Shishi Administration for Industry and Commerce (石獅市工商行政管理局) on 26 February 2013 and 27 February 2013 respectively.

Exclusive Option and Equity Custodian Agreement

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

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

- during the term of the Exclusive Option and Equity Custodian Agreement, the Differ Pawn Registered Shareholders shall not, among other matters, transfer, pledge or grant a custodian right over such equity interest in Differ Pawn to any third parties without the prior written consent of Differ Holding;

- the Differ Pawn Registered Shareholders irrevocably granted a right to Differ Holding or its nominee(s) to manage the entire equity interest in Differ Pawn as custodian during the term of the Exclusive Option and Equity Custodian Agreement;

- Differ Pawn and the Differ Pawn Registered Shareholders covenanted that, among others:

  (a) the directors of Differ Holding (including their successors) or its nominee(s) shall exercise all shareholders' right in Differ Pawn, further details are set out in the paragraph headed "Power of Attorney" below;

  (b) Differ Holding or its nominee(s) shall have the exclusive right to nominate or appoint directors, general manager and other senior management staff of Differ Pawn (except those elected by the employee representatives);

- During the term of the Exclusive Option and Equity Custodian Agreements, Differ Pawn and the Differ Pawn Registered Shareholders shall not engage in any transactions which will materially affect the assets, business, rights, operation or management of Differ Pawn without prior consent from Differ Holding, including but not limited to the following:

  (a) to amend the articles of association of Differ Pawn;

  (b) to increase or reduce the registered capital of Differ Pawn; and

  (c) during the term of the Exclusive Option and Equity Custodian Agreement, Differ Pawn and/or the Differ Pawn Registered Shareholders shall not transfer, mortgage, pledge or otherwise dispose the assets of Differ Pawn.

- in case of liquidation or dissolution of Differ Pawn, Differ Holding or its nominee(s) shall have the right to appoint a liquidator to manage the assets of Differ Pawn as permitted by the PRC laws and regulations.

There is no consideration to be paid to Differ Holding or its nominee(s) for the management of the equity interest in Differ Pawn as custodian under the Exclusive Option and Equity Custodian Agreement.

The current Exclusive Option and Equity Custodian Agreement is effective from 16 July 2012, and will expire on the date on which all the equity interests in Differ Pawn are transferred to Differ Holding or its nominee(s) or the parties reach a written agreement to terminate the agreement, whichever is earlier.

Power of Attorney

Pursuant to the Power of Attorney, among other matters, Differ Holding (including its successors) or its nominee(s) were authorised by the Differ Pawn Registered Shareholders to exercise their respective shareholders' rights in Differ Pawn, including the rights to attend and vote in shareholders' meeting, to sign and file minutes and other documents with the relevant government authorities, to elect and change the directors and supervisors who are not elected by the employee representatives, to decide the increase or reduction of the registered capital and to receive or decline the dividends or other distribution on behalf of the Differ Pawn Registered Shareholders.

The Power of Attorney is effective from 16 July 2012, and will remain effective during the term when the equity interests in Differ Pawn are owned by the Differ Pawn Registered Shareholders.

During the year ended 31 December 2013, Differ Holding was entitled to management and consultation fees of RMB7,731,747 from Differ Pawn in a manner as prescribed in the exclusive management and consulting services agreement on 16 July 2012. The management and consultation fees payable by Differ Pawn to Differ Holding are equivalent to the total revenue less all the related costs, expenses and taxes as extracted from the audited financial statements of Differ Pawn for the year ended 31 December 2013 ("Audited Financial Statements"). Pursuant to a resolution passed by the Company's board of directors on 5 March 2014, the management fee of RMB1,600,000 was received by Differ Holding on 7 March 2014 and the remaining balance of RMB6,131,747 was kept by Differ Pawn for the development of its pawn loan business. According to the Audited Financial Statements, no dividend or other distribution had been made for the year ended 31 December 2013.

The independent non-executive Directors have reviewed the Structured Agreements and confirmed that: (1) the transactions carried out during the year ended 31 December 2013 have been entered into in accordance with the relevant provisions of the Structured Agreements; (2) no dividends or other distributions have been made by Differ Pawn to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (3) any new contracts entered into, renewed or reproduced between the Group and Differ Pawn during the year ended 31 December 2013 are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

The Company's auditor has carried out procedures on the management fee charged for the year pursuant to the Structured Agreements and reported its conclusion to the Board, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Agreements and that no dividends or other distributions have been made by Differ Pawn to the Differ Pawn Registered Shareholders which are not otherwise subsequently assigned/transferred to the Group.

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

Differ Pawn and each of the Differ Pawn Registered Shareholders have undertaken that, for so long as the shares of the Company (the "Shares") are listed on GEM, Differ Pawn and each of the Differ Pawn Registered Shareholders will provide the Group's management and the Company's auditors with full access to its relevant records for the purpose of the Company's auditors' review of the connected transactions.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2013, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interests
Mr. Hong Mingxian	Interest of spouse *(note 1)*	450,000,000 Shares	45%
Mr. Cai Huatan	Interest of controlled Corporation *(note 2)*	300,000,000 Shares	30%

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficial owned by Ms. Shi Hongjiao ("Ms. Shi"). By virtue of the SFO, Mr. Hong, being the spouse of Ms. Shi, is deemed to be interested in the 450,000,000 Shares under the SFO.

2. These Shares were held by Ever Ultimate Limited, which was wholly and beneficial owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 300,000,000 Shares under the SFO.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2013, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following persons or companies (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares which was discloseable under Division 2 & 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares

Name	Capacity/nature of interest	Number of Shares	Percentage of interests
Expert Corporate Limited	Beneficial owner *(note 1)*	450,000,000 Shares	45%
Ms. Shi Hongjiao	Interest of controlled corporation *(note 1)*	450,000,000 Shares	45%
Mr. Hong Mingxian	Interest of spouse *(note 2)*	450,000,000 Shares	45%
Ever Ultimate Limited	Beneficial owner *(note 3)*	300,000,000 Shares	30%
Mr. Cai Huatan	Interest of controlled corporation *(note 3)*	300,000,000 Shares	30%

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficial owned by Ms. Shi. By virtue of the SFO, Ms. Shi is deemed to be interested in the 450,000,000 Shares under the SFO.

2. Mr. Hong is the spouse of Ms. Shi.

3. These Shares were held by Ever Ultimate Limited, which was wholly and beneficial owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 300,000,000 Shares under the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of Cayman Islands in relation to the issue of new shares.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float as required Rule 17.38A of the GEM Listing Rules up to the date of this report.

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Messis Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 2 December 2013 effective on 9 December 2013, the date of the Listing neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 31 December 2013 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 25 to 30 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 have been audited by BDO Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

By order of the Board of
Differ Group Holding Company Limited
Hong Mingxian
Chairman

Hong Kong, 19 March 2014

The board of Directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2013.

The Company is committed to establishing good corporate governance practices, procedures and fulfilling its responsibilities to its shareholders, protecting and enhancing shareholders' value. The Company's corporate governance practices are based on the principles and code provision as set out in the Code on Corporate Governance Practices ("CG code") in Appendix 15 to the GEM Listing Rules.

Throughout the period from the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange on 9 December 2013 (the "Listing Date") to 31 December 2013, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

Under the code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its directors. No insurance cover has been arranged for Directors up to the date of this report since the Directors take the view that the Company shall support directors arising from corporate activities.

THE BOARD AND BOARD COMMITTEES

As at 31 December 2013, the Board consists of eight Directors and their respective roles are set out as follows:

Mr. Hong Mingxian	Executive Director and Chairman
Mr. Ng Chi Chung	Executive Director and Chief Executive Officer
Mr. Cai Huatan	Executive Director and Compliance Officer
Mr. Cai Jianfeng	Non-executive Director
Mr. Wu Qinghan	Non-executive Director
Mr. Chan Sing Nun	Independent non-executive Director
Mr. Tsang Hin Man Terence	Independent non-executive Director
Mr. Zeng Haisheng	Independent non-executive Director

The biographical details of all directors are set out under the section headed "Directors and Senior Management Biographical Details" on pages 5 to 6.

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board include but not limited to formulating the Group's business strategies, reviewing the Company's financial performance and results, deciding all significant financial and operational issues, monitoring and reviewing the Group's internal control system and corporate governance; and all other functions reserved to the Board under the Company's articles of association. In addition, the Board delegates to the Group's management certain functions include the implementation of general daily operation, strategies approved by the Board, the implementation of internal control procedures and ensuring of compliance with relevant requirements and other rules and regulations. All the 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.

During the year ended 31 December 2013, the Company has complied with Rules 5.05(1) and (2) and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence. Each of the independent non-executive Directors has made an annual confirmation of independence and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules, up to the date of the annual report.

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. Hong Mingxian, who is responsible for the overall strategic formulation, management and planning of our Group. The Chief Executive Officer is Mr. Ng Chi Chung, who is responsible for business development and day-to-day management and operations of the Group.

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 non-executive directors and independent non-executive directors for a term of three years. In accordance with Article 84 of 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 ("AGM") at least once every three years. All of the retiring directors, being eligible, will offer themselves for re-election at the forthcoming AGM. In addition, in accordance with Article 83 of the Company's Articles of Association, any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting after his 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 AGM of the Company and shall then be eligible for re-election. Pursuant to the aforesaid provisions of the Articles of Association, all directors of the Company shall retire at the forthcoming AGM 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.

BOARD COMMITTEE

During the year ended 31 December 2013, the Board has established three board committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") of the Company, with written terms of reference which are available for viewing on the websites of the Company and the Stock Exchange to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

DIRECTORS' ATTENDANCE RECORD

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.

Due to the fact that the Company was listed on 9 December 2013, only one Board meeting was held on 26 November 2013 (before the Company listed on GEM). The Company did not hold any general meeting during the period from the Listing Date to 31 December 2013. The first AGM is scheduled to be held on 30 April 2014. The individual attendance record of the Board meeting are set out as follows:

	Number of Board Meetings attended/eligible to attend
Executive Directors:	
Mr. Hong Mingxian	1/1
Mr. Ng Chi Chung	1/1
Mr. Cai Huatan	1/1
Non-executive Directors:	
Mr. Cai Jianfeng	1/1
Mr. Wu Qinghan	1/1
Independent non-executive Directors:	
Mr. Chan Sing Nun	1/1
Mr. Tsang Hin Man Terence	1/1
Mr. Zeng Haisheng	1/1

AUDIT COMMITTEE

The Board has established an audit committee on 26 November 2013 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely, Mr. Chan Sing Nun, Mr. Tsang Hin Man Terence and Mr. Zeng Haisheng. Mr. Chan Sing Nun is the chairman of the audit committee. The audited annual results of the Group for the year ended 31 December 2013 have been reviewed by the audit committee members who have provided advice and comments thereon.

The main duties of the audit committee include, among others:

– monitoring the integrity of the Company's financial statements, annual, quarterly and interim financial reports, and to review significant financial reporting judgments and accounting policies contained in them;

– reviewing and examining the effectiveness of internal control measure;

– responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

– reporting the finding and recommendations to the Board on a regular basis.

Due to the fact that the Company was listed on 9 December 2013, no audit committee was held during the year ended 31 December 2013.

REMUNERATION COMMITTEE

The Board has established a remuneration committee on 26 November 2013 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee consists of three independent non-executive Directors, namely, Mr. Tsang Hin Man Terence, Mr. Zeng Haisheng and Mr. Chan Sing Nun. Mr. Tsang Hin Man Terence is the chairman of the remuneration committee.

The main duties of the remuneration committee include, among others:

– formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, time commitment, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff;

– ensuring none of the Directors determine their own remuneration.

Due to the fact that the Company was listed on 9 December 2013, no remuneration committee was held during the year ended 31 December 2013.

NOMINATION COMMITTEE

The Board has established a nomination committee on 26 November 2013 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The nomination committee consists of three independent non-executive Directors, namely, Mr. Zeng Haisheng, Mr. Tsang Hin Man Terence and Mr. Chan Sing Nun. Mr. Zeng Haisheng is the chairman of the nomination committee.

The main duties of the nomination committee include, among others:

– reviewing the structure, size and composition of the Board;

– make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors;

– identify suitable and qualified individuals to become Board members.

Due to the fact that the Company was listed on 9 December 2013, no nomination committee was held during the year ended 31 December 2013.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standard of Dealings"). The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the Required Standard of Dealings throughout the year.

AUDITOR'S STATEMENT AND THEIR REMUNERATION

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

The remuneration for audit services payable by the Company to its auditor, BDO Limited ("BDO"), for the year ended 31 December 2013 amounted to HK$380,000. In addition, HK$2.1 million was paid for other non-audit services provided by BDO for the Group during the year ended 31 December 2013.

INTERNAL CONTROL

Our Group highly values the importance of internal control and risk management for the smooth running of its business. The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

Particularly, the core of our Group's business is to provide short and medium-term financings (i.e. entrusted loans, pawn loans and finance lease) and financing-related solutions (i.e. financial consultation services and guarantee services) based on our risk assessment of our customers and their collaterals. Our Group has taken sufficient measures and steps to identify those inherent risks relevant to our business. We aim at minimising and managing such risks at every stage along the approval process and the post-approval monitoring process.

Besides, in order to continuously monitor and further improve the effectiveness of internal controls, the Company has set up a compliance committee in April 2013 that is charged with duties to oversee and report to the Directors and the Company's audit committee on a quarterly basis the continuous compliance status of the Company. On a quarterly basis, the finance department summarises significant information such as interest rate and status of pledged assets of all pawn loan transactions into a quarterly report for the review by the compliance committee. Besides, a corporate governance committee has also been set up in December 2013. The corporate governance committee is closely monitoring the effectiveness of our internal controls and prepares monthly reports to our Directors and our audit committee containing (1) monthly consolidated financial statements, (2) business performance analysis, (3) material events and transaction (such as takeovers and mergers, change of key personnel and shareholders), (4) summary of significant contracts, (5) information of related party transactions, connected transactions and notifiable transactions, and (6) compliance status in our loan and guarantee business. The corporate governance committee should report any non-compliance issues to our Directors and audit committee immediately once the non-compliance issues are noted.

The Board concluded that in general, the Group's internal control system is effective and adequate. The Board will continue to assess the effectiveness of internal controls by considering reviews and recommendations made by the audit committee and senior management.

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

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

During the year ended 31 December 2013, all Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending training course provided by the PRC legal advisors.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the consolidated financial statements for the financial year ended 31 December 2013, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and properly prepared on going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

In accordance with Article 58 of the articles of association of the Company, shareholders holding not less than 10% of the paid up capital of the Company can convene an extraordinary general meeting ("EGM") by written requisition to the Board or the Secretary of the Company. In addition, shareholders can raise any questions relating to published information and latest strategic plan of the Group with the Directors. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Shareholders can also submit enquiries to the management and send proposals to be put forward at shareholders' meeting to the Board or senior management by sending e-mails to service@dfh.cn.

INVESTOR RELATIONS

The Company has maintained various communication channels with its shareholders and the investment public to ensure that they are kept abreast of the Company's latest news and development. The Company updates its shareholders on its development, financial results and major events through its annual, interim and quarterly reports. All published information is promptly uploaded to the website of the Company at www.dfh.cn.

Except for the adoption of a new articles of association by the Company to comply with the applicable legal and GEM Listing Rules requirements on 26 November 2013 for the purpose of the listing of the Company's shares on GEM, there had been no change in the constitutional documents of the Company during the year.

TO THE SHAREHOLDERS OF DIFFER GROUP HOLDING COMPANY LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Differ Group Holding Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 84, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 and of the Company as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Joanne Y.M. Hung
Practising Certificate Number P05419

Hong Kong, 19 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
Revenue	8	**76,066**	56,416
Other income	8	**5,260**	3,224
Employee benefit expenses		**(7,739)**	(5,287)
Depreciation and amortisation expenses		**(2,006)**	(1,817)
Operating lease expenses		**(326)**	(313)
Other expenses		**(15,056)**	(10,050)
Finance costs	9	**–**	(526)
Profit before income tax	10	**56,199**	41,647
Income tax expense	12	**(15,963)**	(10,409)
Profit for the year attributable to the owners of the Company		**40,236**	31,238
Other comprehensive income attributable to the owners of the Company that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		**311**	221
Total comprehensive income for the year attributable to the owners of the Company		**40,547**	31,459
Earnings per share – Basic and diluted (RMB cents)	15	**5.25**	4.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**11,593**	13,044
Prepaid land lease	17	**7,733**	8,140
Restricted bank deposits	18	**6,550**	–
Loan and account receivables	19	**37,736**	3,130
		63,612	24,314
Current assets			
Loan and account receivables	19	**185,365**	158,538
Prepayments and other receivables	21	**1,534**	12,306
Amount due from a related company	22	**–**	5,812
Amount due from a director	22	**–**	6,822
Restricted bank deposits	18	**117,590**	96,112
Cash and bank balances	24	**181,055**	48,996
		485,544	328,586
Current liabilities			
Accruals, other payables, receipt in advance and deferred income	25	**16,310**	10,164
Amount due to shareholders	26	**–**	19,875
Provision for taxation		**9,556**	10,481
		25,866	40,520
Net current assets		**459,678**	288,066
Total assets less current liabilities		**523,290**	312,380

	Notes	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Deposits received and deferred income	25	**15,479**	–
Net assets		**507,811**	312,380
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**7,800**	–
Reserves	28	**500,011**	312,380
Total equity		**507,811**	312,380

On behalf of the Board

Hong Mingxian
DIRECTOR

Cai Huatan
DIRECTOR

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	20	**355,920**	–
Current assets			
Prepayments	21	**154**	–
Amount due from a subsidiary	23	**86,034**	–
Cash and bank balances	24	**55,903**	–
		142,091	–
Current liabilities			
Accruals and other payables	25	**357**	59
Amount due to a subsidiary	23	**644**	–
		1,001	59
Net current assets/(liabilities)		**141,090**	(59)
Net assets/(liabilities)		**497,010**	(59)
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**7,800**	–
Reserves	28	**489,210**	(59)
Total equity/(capital deficiency)		**497,010**	(59)

On behalf of the Board

Hong Mingxian
DIRECTOR

Cai Huatan
DIRECTOR

	Share capital RMB'000	Share premium RMB'000 *(note 28)*	Capital reserve RMB'000 *(note 28)*	Merger reserve RMB'000 *(note 28)*	Statutory reserve RMB'000 *(note 28)*	Translation reserve RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 January 2012	–	–	32,000	228,000	939	–	11,982	272,921
Profit for the year	–	–	–	–	–	–	31,238	31,238
Other comprehensive income for the year	–	–	–	–	–	221	–	221
Total comprehensive income for the year	–	–	–	–	–	221	31,238	31,459
Transfer to statutory reserve	–	–	–	–	2,909	–	(2,909)	–
Deregistration of a subsidiary *(note 20(b))*	–	–	(30,000)	–	–	–	–	(30,000)
Arising from reorganisation ("Reorganisation") *(note 2.1(d))*	–	–	228,000	(228,000)	–	–	–	–
Arising from Reorganisation *(note 2.1(e))*	–	–	30,000	–	–	–	–	30,000
Capital injection to a subsidiary *(note 2.1(g))*	–	–	8,000	–	–	–	–	8,000
At 31 December 2012 and 1 January 2013	–	–	268,000	–	3,848	221	40,311	312,380
Profit for the year	–	–	–	–	–	–	40,236	40,236
Other comprehensive income for the year	–	–	–	–	–	311	–	311
Total comprehensive income for the year	–	–	–	–	–	311	40,236	40,547
Transfer to statutory reserve	–	–	–	–	3,554	–	(3,554)	–
Issue of ordinary shares by placing *(note 27(e))*	1,950	150,150	–	–	–	–	–	152,100
Share issue costs	–	(6,785)	–	–	–	–	–	(6,785)
Share capitalisation *(note 27(f))*	5,850	(5,850)	–	–	–	–	–	–
Capital contribution from the owners *(note 26)*	–	–	19,562	–	–	–	–	19,562
Arising from Reorganisation *(note 2.1(g))*	–	–	(10,000)	–	–	–	–	(10,000)
Arising from Reorganisation *(note 2.1(i))*	–	–	–	7	–	–	–	7
At 31 December 2013	7,800	137,515	277,562	7	7,402	532	76,993	507,811

* Retained profits included amount of approximately RMB24,631,000 as at 31 December 2013 (2012: RMB16,009,000) which was set aside in accordance with the relevant rules governing the financial guarantee business in the People's Republic of China (the "PRC") as reserve for non-matured obligation and guarantee indemnity reserve and was not distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Profit before income tax		**56,199**	41,647
Adjustments for:			
Bank interest income	8	**(1,292)**	(1,377)
Interest expenses	9	**–**	526
Depreciation of property, plant and equipment	10	**1,599**	1,425
Amortisation of prepaid land lease	10	**407**	392
Gain on disposal of property, plant and equipment	10	**–**	(6)
Operating profit before working capital changes		**56,913**	42,607
Increase in loan and account receivables, net of deferred income		**(57,750)**	(99,714)
Decrease/(Increase) in prepayments and other receivables		**10,772**	(9,247)
(Increase)/Decrease in restricted bank deposits		**(28,028)**	2,685
Increase in accruals, deposits received, other payables and receipt in advance		**17,942**	2,205
Cash used in operations		**(151)**	(61,464)
Interest received		**1,292**	1,377
Income tax paid		**(16,888)**	(3,645)
Net cash used in operating activities		**(15,747)**	(63,732)
Cash flows from investing activities			
Purchase of property, plant and equipment	(a)	**(148)**	(2,198)
Purchase of prepaid land lease		**–**	(286)
Proceeds from disposals of property, plant and equipment		**–**	110
Decrease in amount due from a director	(b), (c)	**6,822**	51,081
Decrease/(Increase) in amount due from a related company		**5,812**	(937)
Net cash generated from investing activities		**12,486**	47,770

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Cash flows from financing activities			
Interest paid		**–**	(526)
Proceeds from issue of ordinary shares		**152,100**	–
Share issue costs		**(6,785)**	–
Deemed distribution to the owners		**(10,000)**	–
Increase in amount due to shareholders	(d)	**–**	19,901
Repayment of interest-bearing bank borrowings		**–**	(8,404)
Capital injection from owners		**–**	38,000
Net cash generated from financing activities		**135,315**	48,971
Net increase in cash and cash equivalents		**132,054**	33,009
Cash and cash equivalents at beginning of the year		**48,996**	15,792
Effect of foreign exchange rates, net		**5**	195
Cash and cash equivalents at end of the year		**181,055**	48,996
Analysis of balances of cash and cash equivalents			
Cash and bank balances	24	**181,055**	48,996

Notes:

Major non-cash transactions

(a) During the year ended 31 December 2012, an amount of approximately RMB1,601,000 was transferred from deposits paid to property, plant and equipment (note 16).

(b) During the year ended 31 December 2012, due to the deregistration of Differ Guarantee (Quanzhou) Company Limited^ (鼎豐擔保(泉州)有限公司) ("Quanzhou Guarantee"), RMB30,000,000 was derecognised as capital reserve and credited to the amount due from a director.

(c) During the year ended 31 December 2012, part of the consideration from disposal of Fujian Differ Venture Capital Company Limited^ (福建省鼎豐創業投資有限公司) ("Fujian VC") amounting to RMB49,973,000 was offset with amount due from a director (note 31).

(d) During the year ended 31 December 2013, amount due to the owners of the Company of RMB19,562,000 was capitalised and transferred to capital reserve.

^ The English names of the subsidiaries established in the PRC represent management's best effort at translating the Chinese names of such subsidiaries as no English names have been registered.

1. CORPORATE INFORMATION

Differ Group Holding Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 2013.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the "Group") is located at 23rd Floor, Tower 11, 166 Tapu East Road, Xiamen, the PRC.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 20 to the financial statements.

The financial statements for the year ended 31 December 2013 were approved by the board of directors on 19 March 2014.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

2.1 Group Reorganisation

The companies comprising the Group underwent a Reorganisation to rationalise the Group's structure in preparation for the listing of the shares of the Company on the Stock Exchange. The Reorganisation involved the followings:

(a) Establishment of Differ Holding (Xiamen) Company Limited^ (鼎豐控股(廈門)有限公司) (now known as Differ Group (Xiamen) Company Limited^ (鼎豐集團(廈門)有限公司)) ("Differ Holding") and Xiamen Differ Venture Capital Company Limited^ (廈門市鼎豐創業投資有限公司) ("Differ VC").

Differ Holding was established on 12 April 2010 as an investing vehicle of Differ Guarantee Company Limited^ (鼎豐擔保股份有限公司) ("Differ Guarantee") and it was effectively held by Ms. Shi Hongjiao ("Ms. Shi"), spouse of Mr. Hong Mingxian ("Mr. Hong"), a director of the Company, and Mr. Cai Huatan ("Mr. Cai"), a director of the Company.

Differ VC was established on 5 May 2010 by Differ Holding and Mr Hong. On 27 May 2010, the equity interest of Mr. Hong in Differ VC was transferred to Differ Holding.

(b) Acquisition of Differ Guarantee by Differ Holding

On 11 July 2010, Differ Holding acquired directly or indirectly the entire equity interest in Differ Guarantee from its then shareholders.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION – continued

2.1 Group Reorganisation – continued

(c) Establishment of Differ Financial Holdings Limited ("Differ Hong Kong")

Differ Hong Kong was incorporated in Hong Kong on 22 September 2011 by Thrive Expand Limited ("Thrive Expand"), a company owned as to 60% by Expert Corporate Limited (which in turn was wholly owned by Ms. Shi) and as to 40% by Ever Ultimate Limited (which in turn was wholly owned by Mr. Cai), with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each.

(d) Acquisition of Differ Holding by Differ Hong Kong

On 15 June 2012, Differ Hong Kong acquired Differ Holding at a cash consideration of RMB228,000,000, which was equivalent to the register capital of Differ Holding. The fund to effect the acquisition of Differ Holding was contributed by the shareholders of Differ Holding and this contribution of RMB228,000,000 was used to settle the consideration of such acquisition. As the shareholders of Differ Holding already obtained back their cash contribution through completion of disposal of their interest in Differ Holding to Differ Hong Kong, the transaction did not result in any financial liabilities of the Group and the contribution was regarded as capital reserve of the Group (note 28).

(e) Structured Agreements with Fujian Differ Pawn Company Limited^ (福建鼎豐典當有限公司) ("Differ Pawn")

Before 7 May 2012, Differ Pawn's registered capital was RMB10,000,000 which was owned as to 67.5% by Differ Guarantee and as to 32.5% by Fujian VC, both of which were subsidiaries of the Group.

On 7 May 2012, Fujian VC ceased to be a company within the Group when a change in its shareholding structure took place. In order for the Group to retain management and control of Differ Pawn since 7 May 2012, the first set of structured agreements were entered into by Differ Holding, Differ Pawn, Differ Guarantee and Fujian VC ("Previous Structured Agreements"). Under the Previous Structured Agreements, all economic benefits and risks arising from the business, financial and operating activities of Differ Pawn were transferred to Differ Holding.

On 16 July 2012, the 67.5% equity interest in Differ Pawn of Differ Guarantee was transferred to Fujian Aidu Industry and Trade Company Limited^ (福建愛都工貿有限公司) ("Aidu"). At the date of transfer, Aidu was owned as to 60% by Mr. Hong and as to 40% by Ms. Cai Danni ("Ms. Cai"), Mr. Cai's daughter. Following such transfer, the Previous Structured Agreements were terminated on 16 July 2012, and simultaneously replaced by the second set of Structured Agreements entered into by Differ Holding, Differ Pawn, Aidu and Fujian VC ("Structured Agreements").

2. GROUP REORGANISATION AND BASIS OF PRESENTATION – continued

2.1 Group Reorganisation – continued

(e) Structured Agreements with Fujian Differ Pawn Company Limited^ (福建鼎豐典當有限公司) ("Differ Pawn") – continued

After the abovementioned share transfers of Differ Pawn, the new shareholders, namely Fujian VC and Aidu, agreed to increase the registered capital of Differ Pawn from RMB10,000,000 to RMB30,000,000. As a result of the increase in registered capital, the Group accounted for the amount of registered capital of Differ Pawn of RMB30,000,000 as capital injection from owners.

Further details of the Structured Agreements are set out in the section headed "Structured Agreements" of the prospectus of the Company dated 3 December 2013.

The Structured Agreements altogether enable the Company to exercise control over Differ Pawn. The Structured Agreements, taken as a whole, permit the financial results of Differ Pawn and economic benefits of its business to flow to Differ Holding. In addition, all the directors and top management in Differ Pawn should be assigned by Differ Holding. Through the Structured Agreements, Differ Holding is exposed to variable returns from its involvement with Differ Pawn and has the ability to affect those returns through its power over Differ Pawn.

(f) Establishment of RongXin Company Limited ("RongXin") and the Company

On 6 November 2012, RongXin was incorporated in the British Virgin Island ("BVI") with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 6 November 2012, 600 shares and 400 shares of RongXin credited as fully paid at par were issued and allotted to Ms. Shi and Mr. Cai respectively.

On 4 December 2012, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, the Company issued and allotted in nil paid one share to the subscriber, which was transferred to Ms. Shi at nil consideration on the same date. The Company also issued and allotted in nil paid another 599 shares and 400 shares to Ms. Shi and Mr. Cai respectively.

(g) Acquisition of Xiamen Differ Import and Export Development Company Limited^ (廈門鼎豐進出口發展有限公司) ("Differ Import & Export")

Differ Import & Export was established as a limited liability company in the PRC on 22 December 2011 with initial registered capital of RMB2,000,000 which was owned as to 60% by Mr. Hong and as to 40% by Ms. Cai. On 14 March 2012, Mr. Hong and Ms. Cai agreed to increase the registered capital of Differ Import & Export from RMB2,000,000 to RMB10,000,000. The registered capital of RMB2,000,000 and RMB8,000,000 paid by Mr. Hong during the years ended 31 December 2011 and 2012 were regarded as capital reserve of the Group (note 28).

2. GROUP REORGANISATION AND BASIS OF PRESENTATION – continued

2.1 Group Reorganisation – continued

(g) Acquisition of Xiamen Differ Import and Export Development Company Limited^ (廈門鼎豐進出口發展有限公司) ("Differ Import & Export") – continued
On 1 February 2013, Differ Guarantee acquired the entire interest of Differ Import & Export at a consideration of RMB10,000,000. After the share transfers, Differ Guarantee agreed to increase the registered capital of Differ Import & Export from RMB10,000,000 to RMB30,000,000.

The consideration paid by the Group of RMB10,000,000 was accounted for as deemed distribution to Mr. Hong and Ms. Cai pursuant to Reorganisation.

(h) Acquisition of Differ Hong Kong by RongXin

On 20 November 2013, RongXin acquired entire issued share capital of Differ Hong Kong from Thrive Expand.

(i) Acquisition of RongXin by the Company

On 26 November 2013, the Company acquired the entire issued share capital of RongXin from Ms. Shi and Mr. Cai.

^ The English names of the subsidiaries established in the PRC represent management's best effort at translating the Chinese names of such subsidiaries as no English names have been registered.

2.2 Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertions of certain new holding companies at the top of Differ Guarantee have not resulted in any change in economic substance. Accordingly, the consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2012 and 2013 include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the years, or since their respective dates of incorporation or establishment, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012 and 2013 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION – continued

2.2 Basis of presentation – continued

The assets and liabilities of the companies comprising the Group are consolidated using the existing book values. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the controlling shareholders.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [1]
Amendments to HKAS 36	Recoverable Amount Disclosures [1]
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle [3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle [2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

HKFRS 9 – Financial Instruments

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

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these new and amended HKFRSs is not expected to have a material impact on the Group's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year, except for those which are accounted for using the merger basis of accounting as set out in note 2.2, are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

5.3 Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or CGU's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.3 Impairment of non-financial assets – continued

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

5.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated on the straight-line method to write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life, as follows:

Buildings	20 years
Leasehold improvement	The shorter of the lease terms and 5 years
Motor vehicles	4 to 5 years
Furniture, fixtures and office equipment	3 to 5 years

The assets' estimated residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.5 Prepaid land lease

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight line method over the term of the lease except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

5.6 Leasing

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

Finance lease 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.

Operating lease charges as the lessee

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

5.7 Share capital

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

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

5.8 Employee benefits

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.9 Financial assets

The Group's financial assets are classified into loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date.

Derecognition of financial assets occurs when the rights to receive cash flows from the instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Impairment loss on financial assets

At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

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

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.10 Financial liabilities

The Group's financial liabilities include accruals, deposits received, other payables and amount due to shareholders.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of each reporting period.

All other financial liabilities are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method.

5.11 Cash and cash equivalents

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.12 Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

All provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate.

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

5.13 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.13 Accounting for income tax – continued

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.14 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Income from financial guarantee (as the case may be, including assessment fee related to issuance of financial guarantee) is recognised over the contract period on a time apportionment basis.

(b) Interest income (as the case may be, including the administration fees that are an integral part of the effective interest rate) from entrusted loan, pawn loan and finance lease services and other financial assets which yield interest 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.

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

5.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are deducted from the cost in arriving at the carrying amount of the assets.

5.16 Borrowing costs

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.17 Foreign currencies

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

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

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

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

5.18 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.18 Related parties – continued

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

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

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

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

5.19 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with the Group's accounting policy on "Provisions and contingent liabilities"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the Group's policy on "Revenue Recognition".

Where the Group issues a financial guarantee, the contracted fee of the guarantee is initially recognised as deferred income. Where the contracted fee is received or receivable for the issuance of the guarantee, it is recognised in accordance with the Group's policies applicable to that category of asset. Where no such contracted fee is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of the corresponding liability.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.19 Financial guarantee contracts – continued

The contracted fee of the financial guarantee initially recognised as deferred income is amortised and recognised as revenue in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation in accordance with the Group's accounting policy on "Revenue Recognition", where appropriate.

5.20 Segment reporting

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

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

Subsidiary

As detailed in note 2.1(e), Differ Pawn is accounted for as a subsidiary as a consequence of the Structured Agreements. Significant judgments have been exercised by the management in accessing and concluding Differ Pawn is a subsidiary of the Group.

Impairment of receivables

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES – continued

Impairment of non-financial assets

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

Estimated useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Useful lives are reviewed, at the end of each reporting period, based on changes in circumstances.

Estimation of provision for financial guarantee issued

The Group's management reviews the creditworthiness of its customers and re-assesses the fair value of collateral of individual customers for financial guarantee issued by the Group from time to time. The best evidence of fair value of collateral is current prices in an active market for similar collateral in the same location and condition. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of source including public accessible sources, such as interest searches, recent transaction prices, statistics on recent market development and market quote. If the Group's management considers the financial conditions of the customers of the Group deteriorate or they would default in payment or contracts, provisions will be made and the amount is based on the exposure which is the maximum guarantee amounts less the estimated fair value of the collateral.

Tax

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES – continued

Stage of completion of consultancy services

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

7. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's executive directors in order to allocate resources and assess performance of the segment. Executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in provision of financial services which includes the provision of entrusted loan, financial consultancy, guarantee, pawn loan and finance lease services. The executive directors allocate resources and assess performance on an aggregated basis. The Group's revenue from external customers is divided into four groups of products which is disclosed in note 8.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is mainly sourced from the PRC. The total revenue is disclosed in note 8.

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

	2013 **RMB'000**	2012 RMB'000
Customer A	**11,963**	9,918

8. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents income from the Group's principal activities, net of value-added tax. Revenue and other income recognised during the year are as follows:

	2013	2012
	RMB'000	RMB'000
Revenue		
Interest income	**34,744**	28,381
Consultancy service income	**19,718**	19,094
Income from guarantee services		
– Financial guarantee services	**14,807**	7,493
– Other guarantee services	**141**	956
Income from finance lease service	**6,656**	492
	76,066	56,416
Other income		
Bank interest income	**1,292**	1,377
Gain on disposal of property, plant and equipment	**–**	6
Government grants*	**3,917**	1,680
Net foreign exchange gain	**–**	125
Others	**51**	36
	5,260	3,224

* The Group received grants from the relevant PRC government authorities in support of the Group's financial guarantee business in the PRC. There were no unfulfilled conditions to receive the grants.

9. FINANCE COSTS

	2013 **RMB'000**	2012 RMB'000
Interest charges on bank borrowings:		
Wholly repayable within five years	**–**	335
Not wholly repayable within five years	**–**	191
	–	526

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2013 **RMB'000**	2012 RMB'000
Auditor's remuneration	**298**	63
Depreciation of property, plant and equipment	**1,599**	1,425
Amortisation of prepaid land lease	**407**	392
Employee benefit expenses (including directors' remuneration *(note 11)*)		
Salaries	**6,597**	4,889
Pension scheme contributions – Defined contribution plans	**270**	175
Other benefits	**872**	223
	7,739	5,287
Listing expenses	**7,143**	2,816
Net foreign exchange loss	**12**	–
Operating lease charges in respect of properties	**326**	313
Gain on disposal of property, plant and equipment	**–**	(6)

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013				
Executive directors:				
Mr. Cai	–	20	–	20
Mr. Hong	–	369	6	375
Mr. Ng Chi Chung	–	305	6	311
	–	694	12	706
Non-executive directors:				
Mr. Cai Jianfeng	6	–	–	6
Mr. Wu Qinghan	6	–	–	6
	12	–	–	12
Independent non-executive directors:				
Mr. Chan Sing Nun	6	–	–	6
Mr. Tsang Hin Man Terence	6	–	–	6
Mr. Zeng Haisheng	6	–	–	6
	18	–	–	18
Total	30	694	12	736
Year ended 31 December 2012				
Executive directors:				
Mr. Cai	–	–	–	–
Mr. Hong	–	364	7	371
Mr. Ng Chi Chung	–	304	7	311
Total	–	668	14	682

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS – continued

(a) Directors' remuneration – continued

Mr. Cai Jianfeng and Mr. Wu Qinghan were appointed as non-executive directors and Mr. Chan Sing Nun, Mr. Tsang Hin Man Terence and Mr. Zeng Haisheng were appointed as independent non-executive directors of the Company with payment of their fees commencing from 26 November 2013.

(b) Five highest paid individuals

The five highest paid individuals of the Group included two directors (2012: two) for the year ended 31 December 2013 whose emoluments are reflected in note 11(a).

The analysis of the emolument of the remaining three (2012: three) highest paid individuals the year ended 31 December 2013, whose emolument fell within the band of nil to HK$1,000,000, are set out below:

	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,625**	682
Pension scheme contributions	**22**	6
	1,647	688

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

12. INCOME TAX EXPENSE

	2013	2012
	RMB'000	RMB'000
Current tax – PRC	**15,963**	10,409

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil).

Enterprise income tax arising from subsidiaries operated in the PRC for the year was calculated at 25% (2012: 25%) of the estimated assessable profits during the year.

12. INCOME TAX EXPENSE – continued

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

	2013 RMB'000	2012 RMB'000
Profit before income tax	**56,199**	41,647
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**14,698**	10,611
Others	**1,265**	(202)
Income tax expense	**15,963**	10,409

As at 31 December 2013, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB80,549,000 (2012: RMB36,095,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group had unrecognised deferred tax assets arising from tax losses of approximately RMB199,000 (2012: RMB265,000) as at 31 December 2013 that are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose. Deferred tax assets have not been recognised for such losses at the reporting date due to the unpredictability of future profit streams in the relevant subsidiaries in the PRC.

13. DIVIDENDS

No dividend has been declared by the Company during the year (2012: Nil).

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes a loss of approximately RMB4,193,000 (2012: RMB59,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB40,236,000 (2012: RMB31,238,000) and 765,753,000 (2012: 750,000,000) weighted average number of ordinary shares in issue during the year.

The number of shares used to calculate the basic earnings per share for the year ended 31 December 2012 represents the number of shares of the Company immediately prior to the listing of the Company's shares on the Stock Exchange as if the shares had been in issue throughout the year ended 31 December 2012.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2013 includes the weighted average of approximately 15,753,000 shares issued upon the placing of the Company's shares in December 2013, in addition to the aforementioned 750,000,000 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2012.

Diluted earnings per share is the same as the basic earnings per share because the Group had no potential ordinary shares during the years.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2012	9,166	1,411	780	1,061	12,418
Additions	318	1,668	353	1,460	3,799
Disposals	–	–	(223)	–	(223)
At 31 December 2012 and at 1 January 2013	9,484	3,079	910	2,521	15,994
Additions	–	–	–	148	148
At 31 December 2013	9,484	3,079	910	2,669	16,142
Accumulated depreciation:					
At 1 January 2012	–	841	291	512	1,644
Charged for the year	439	321	203	462	1,425
Write back on disposals	–	–	(119)	–	(119)
At 31 December 2012 and at 1 January 2013	439	1,162	375	974	2,950
Charged for the period	452	420	180	547	1,599
At 31 December 2013	891	1,582	555	1,521	4,549
Net carrying amount:					
At 31 December 2013	8,593	1,497	355	1,148	11,593
At 31 December 2012	9,045	1,917	535	1,547	13,044

The Group's buildings are situated in the PRC and are held under medium-term leases. As at 31 December 2013, the Group's buildings were pledged to a bank to secure a bank loan granted to one of its customers.

17. PREPAID LAND LEASE

	Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**8,140**	8,246
Additions	**–**	286
Amortisation	**(407)**	(392)
At 31 December	**7,733**	8,140

At 31 December 2012 and 2013, the Group's prepaid land lease in the PRC was under medium term leases. As at 31 December 2013, the Group's prepaid land lease was pledged to a bank to secure a bank loan granted to one of its customers.

18. RESTRICTED BANK DEPOSITS

Group

Restricted bank deposits have maturities of one to three years as at 31 December 2013 (2012: one to three years). Such deposits have been pledged to certain banks as securities for the Group's facilities of providing financial guarantee services to customers. The effective interest rates of the Group's restricted bank deposits as at 31 December 2013 ranged from 0.35% to 3.5% (2012: 0.35% to 3.5%) per annum. As at 31 December 2013, approximately RMB75,610,000 (2012: RMB88,301,000) of the balance were utilised for guarantee contracts entered.

As at 31 December 2013, the Group's restricted bank deposits were denominated in RMB and kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

19. LOAN AND ACCOUNT RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Non-current assets		
Finance lease receivables, gross and net	**37,736**	3,130
Current assets		
Pawn loan receivables, gross and net	**41,600**	33,250
Entrusted loan receivables, gross and net	**115,000**	120,000
Finance lease receivables, gross and net	**27,178**	4,048
Account receivables, gross and net	**1,587**	1,240
	185,365	158,538

For pawn loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, with options to renew the loan granted for a period of up to 180 days. The maturity date for each loan contract is not more than 180 days.

For entrusted loan receivables, they represented loans from the Group to customers through banks in the PRC. In an entrusted loan arrangement, the bank entered into loan agreements with the customers. The customers repaid the loan to the bank and then the bank returned the principal and accrued interest to the Group. While the bank exercises supervision over and receives repayment from the borrower, the bank does not assume any risk of default in repayment by the borrower. The maturity date for each loan contract is normally not more than 360 days.

For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each loan contract is normally not more than 3 years.

For account receivables, it represented interest receivables from pawn loans, entrusted loans and finance lease and financial consultancy fee receivable. The customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

19. LOAN AND ACCOUNT RECEIVABLES – continued

Interest rates on loan and account receivables are offered to customers based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collateral as well as the general economic trends. The effective interest rates of loan and account receivables charged by the Group are summarized below:

	Group	
	2013	2012
	% per month	% per month
Pawn loan receivables	**2.9 to 3.0**	2.5 to 3.5
Entrusted loan receivables	**1.8**	1.2 to 2.0
Finance lease receivables	**0.9 to 1.5**	1.5

The Group has certain concentration risk on loan and account receivables as it has three (2012: two) customers with outstanding balances of approximately RMB115,758,000 (2012: RMB100,483,000) as at 31 December 2013. At 31 December 2013, there were no allowances for bad and doubtful debts provided as there was no recent history of significant default in respect of these customers (2012: Nil).

The directors of the Company consider that the fair values of loan and account receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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

	Group	
	2013	2012
	RMB'000	RMB'000
0 to 30 days	**4,087**	48,790
31 to 90 days	**75,618**	72,300
91 to 180 days	**92,100**	40,578
Over 180 days	**51,296**	–
	223,101	161,668

19. LOAN AND ACCOUNT RECEIVABLES – continued

Ageing analysis of the Group's loan and account receivables, prepared based on due date, that were not impaired is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**223,101**	161,668

Loan and account receivables which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

The Group holds collateral over the pawn loans receivables and certain account receivables and the banks hold collateral over the entrusted loan receivables and certain account receivables on behalf of the Group. The fair value of the collateral in respect of such loan and interest receivables is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Real estate	**226,968**	190,427
Movable property	**6,500**	55,300
Property rights	**19,500**	8,873
	252,968	254,600

As at 31 December 2013 and 2012, the finance lease receivables in respect of certain machineries are effectively secured by the underlying assets as the rights to the machineries would be reverted to the Group in the event of default payment.

20. INTEREST IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**355,920**	–

20. INTEREST IN SUBSIDIARIES – continued

Particulars of the subsidiaries as at 31 December 2013 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest direct	Attributable equity interest indirect	Principal activities
Limited liability company					
RongXin	BVI	1,100 ordinary shares of USD1 each	100%	–	Investment holding
Differ Hong Kong	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Differ Holding	PRC	RMB228,000,000	–	100%	Investment holding and provision of entrusted loan and financial consultancy services
Differ VC	PRC	RMB30,000,000	–	100%	Investment holding and provision of entrusted loan services
Differ Guarantee	PRC	RMB150,000,000	–	100%	Provision of guarantee services
Xiamen Differ Financial Leasing Company Limited^ (廈門市鼎豐融資租賃有限公司)	PRC	HK$128,000,000	–	100%	Provision of finance lease services
Differ Import & Export *(note 2.1(g))*	PRC	RMB30,000,000	–	100%	Sale and exportation of enforced inventories
Joint-stock limited company					
Differ Pawn	PRC	RMB30,000,000	–	100% *(note (a))*	Provision of pawn loan services

20. INTEREST IN SUBSIDIARIES – continued

Notes:

(a) Differ Pawn became a wholly owned subsidiary of the Group since May 2010. Pursuant to the Reorganisation as set out in note 2.1(e), control over Differ Pawn was arranged through the Structured Agreements.

(b) Quanzhou Guarantee was a wholly owned subsidiary of the Group which was liquidated on 29 November 2011 and subsequently deregistered on 16 July 2012. Prior to the deregistration, 30% equity interest of Quanzhou Guarantee of RMB30,000,000 was held under the common control of Mr. Hong via Aidu such that the contribution by Aidu was recognised as capital reserve of the Group (note 28). On deregistration, RMB30,000,000 was derecognised as capital reserve and credited to the amount due from a director.

^ The English name of the subsidiary established in the PRC represents management's best effort at translating the Chinese name of such subsidiary as no English name has been registered.

21. PREPAYMENTS AND OTHER RECEIVABLES

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Prepaid expenses		**434**	1,161	**154**	–
Other receivables	(a)	**1,100**	11,145	**–**	–
		1,534	12,306	**154**	–

Note:

(a) Balance represented advances to third parties. The balances were unsecured, interest free and repayable on demand. The carrying amounts of other receivables approximate their fair values as these financial assets which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

22. AMOUNTS DUE FROM A RELATED COMPANY/A DIRECTOR

Amounts due from a related company/a director of the Group disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	Group	
	Amount due from a related company, Fujian VC	Amount due from a director, Mr Hong
	RMB'000	RMB'000
As at 1 January 2012	–	92,778
Maximum amount outstanding during the year ended 31 December 2012	72,747	92,778
As at 31 December 2012 and 1 January 2013	5,812	6,822
Maximum amount outstanding during the year ended 31 December 2013	97,000	6,822
As at 31 December 2013	–	–

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

23. AMOUNT DUE FROM/TO A SUBSIDIARY

Company

The balances with subsidiaries are unsecured, interest free and repayable on demand.

24. CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and in hand	**125,152**	48,996	**–**	–
Short-term bank deposits	**55,903**	–	**55,903**	–
	181,055	48,996	**55,903**	–

As at 31 December 2013, the short-term bank deposits earn 0.21% interest per annum. They have a maturity of 3 days and are eligible for immediate cancellation without receiving any interest for the last deposit period. The other bank balances earn interest at floating rates based on daily bank deposit rates. All bank balances are deposited with creditworthy banks with no recent history of default.

24. CASH AND BANK BALANCES – continued

As at 31 December 2013, the Group has cash and cash equivalents denominated in RMB amounting to approximately RMB119,277,000 (2012: RMB48,830,000) were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

25. ACCRUALS, DEPOSITS RECEIVED, OTHER PAYABLES, RECEIPT IN ADVANCE AND DEFERRED INCOME

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current liabilities				
Accruals, other payables and receipt in advance	**6,425**	2,805	**357**	59
Business and other tax payables	**1,585**	511	**–**	–
Deferred income	**8,300**	6,848	**–**	–
	16,310	10,164	**357**	59
Non-current liabilities				
Deposits received from finance lease customers	**13,248**	–	**–**	–
Deferred income	**2,231**	–	**–**	–
	15,479	–	**–**	–

The directors consider the carrying amounts of accruals and other payables approximate their fair values.

26. AMOUNT DUE TO SHAREHOLDERS

Group

The balances due were unsecured and interest free. The balances as at 31 December 2012 was fully capitalised during the year ended 31 December 2013.

The difference between the amount outstanding as at 31 December 2012 and the amount capitalised pursuant to the Reorganisation as capital contribution from the owners in the consolidated statement of changes in equity was arising from exchange difference.

27. SHARE CAPITAL

	2013 Number of ordinary shares '000	**2013** Amount HK'000	2012 Number of ordinary shares '000	2012 Amount HK'000
Authorised:				
Ordinary share of HK$0.01 each				
At 1 January 2013 or date of incorporation *(note (a))*	**38,000**	**380**	38,000	380
Increase of share capital *(note (b))*	**4,962,000**	**49,620**	–	–
	5,000,000	**50,000**	38,000	380
Issued and fully paid:				
Ordinary share of HK$0.01 each				
At 1 January 2013 or date of incorporation *(note (c))*	**1**	**–**	1	–
Issue of ordinary shares for Reorganisation *(note (d))*	**–**	**–**	–	–
Issue of ordinary shares by placing *(note (e))*	**250,000**	**2,500**	–	–
Shares capitalisation *(note (f))*	**749,999**	**7,500**	–	–
	1,000,000	**10,000**	1	–

The issued and fully paid share capital of the Company is equivalent to approximately RMB7,800,000 as at 31 December 2013.

The movements in share capital of the Company were as follows:

(a) The Company was incorporated on 4 December 2012 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of par value of HK$0.01 each.

(b) On 26 November 2013, pursuant to the written resolutions passed by the shareholders of the Company, the authorised share capital was increased to HK$50,000,000 by the creation of an additional of 4,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.

(c) On 4 December 2012, 1 ordinary share was issued at nil paid to the subscriber and transferred to Ms. Shi on the same date. Another 599 shares and 400 shares were issued at nil paid to Ms. Shi and Mr. Cai respectively on the same date.

27. SHARE CAPITAL – continued

(d) On 26 November 2013, additional 100 ordinary shares were issued pursuant to the Reorganisation.

(e) In connection with the placing, an aggregate of 250,000,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$0.78 per share on 9 December 2013.

(f) Pursuant to the written resolutions of all shareholders passed on 26 November 2013, the directors were authorised to capitalise the amount of HK$7,499,989 (equivalent to approximately RMB5,850,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 749,998,900 shares for allotment and issue to holders of shares whose names appear on the register of members of the Company at the close of business on 26 November 2013 (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in the Company following the placing and so that the shares allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued shares and the directors were authorised to give effect to such capitalisation.

28. RESERVES

Group

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

Share premium

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

Capital reserve

As at 1 January 2012, the capital reserve of the Group represented 30% equity interest of Quanzhou Guarantee (note 20(b)) and 100% equity interest of Differ Import & Export (note 2.1(g)) which were under the common control of Mr. Hong via Aidu and Mr. Hong directly respectively.

As at 31 December 2012, the capital reserve of the Group represented the registered capital of Differ Holding and Differ Pawn held indirectly by the Company and 100% equity interest of Differ Import & Export which was under the common control of Mr. Hong.

As at 31 December 2013, the capital reserve of the Group represented the registered capital of Differ Holding and Differ Pawn amounting to RMB228,000,000 and RMB30,000,000 respectively and the capital contribution from the owners of RMB19,562,000.

28. RESERVES – continued

Group – continued

Merger reserve

As at 1 January 2012, the merger reserve of the Group arose as a result of the Reorganisation and represented the registered capital of Differ Holding.

As at 31 December 2012, the merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of the registered capital of Differ Hong Kong and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

As at 31 December 2013, the merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of the registered capital of RongXin and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

Statutory reserve

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

28. RESERVES – continued

Company

	Share premium RMB'000	**Contributed surplus** RMB'000	**Translation reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 4 December 2012 (date of incorporation)	–	–	–	–	–
Loss for the period and total comprehensive loss for the period	–	–	–	(59)	(59)
At 31 December 2012 and 1 January 2013	–	–	–	(59)	(59)
Loss for the year	–	–	–	(4,193)	(4,193)
Other comprehensive income for the year	–	–	27	–	27
Total comprehensive income for the year	–	–	27	(4,193)	(4,166)
Issue of ordinary shares by placing *(note 27(e))*	150,150	–	–	–	150,150
Share issue costs	(6,785)	–	–	–	(6,785)
Share capitalisation *(note 27(f))*	(5,850)	–	–	–	(5,850)
Issue of shares pursuant to the Reorganisation *(note a)*	–	355,920	–	–	355,920
At 31 December 2013	137,515	355,920	27	(4,252)	489,210

(a) Contributed surplus of the Company represented the difference between the net asset values of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Reorganisation.

29. COMMITMENTS

Group

(i) Operating lease commitments

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

	2013	2012
	RMB'000	RMB'000
Within one year	**60**	95

The Group leases certain properties under operating leases. The leases run for an initial period of 1 to 5 years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of these leases include any contingent rentals.

(ii) Other commitments

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

	2013	2012
	RMB'000	RMB'000
Contracted, but not provide for	**–**	20,000

Company

At each reporting date, the Company did not have any significant commitments.

30. RELATED PARTY DISCLOSURES

(i) Balances and transactions

Other than the related party balances disclosed in notes 22 and 26 to the consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Group	
	2013	2012
	RMB'000	RMB'000
Guarantee service income from a related company in which Ms. Shi is a shareholder	**298**	18
Guarantee service income from a related company in which Ms. Shi and Mr. Cai have beneficial interest*	**76**	199

* The Group entered into a guarantee agreement with a related company on 10 August 2012 to provide counter-guarantee service to the related company by acting as the counter-guarantor for the related company in favour of a bank in Quanzhou in order to facilitate the related company in obtaining certain performance guarantee services from the bank. The related company is beneficially owned as to 60% by Ms. Shi and as to 40% by Mr. Cai. The guarantee amount was approximately RMB22,160,000 and the original guarantee period as stated in the guarantee agreement was 60 months. The guarantee agreement was subsequently terminated in April 2013.

(ii) For the year ended 31 December 2013, no guarantee service income (2012: RMB131,000) was received in respect of financial guarantees issued by the Group to independent third parties which were guaranteed by Mr. Cai, Mr. Hong or Mr. Ng Chi Chung.

(iii) During the year ended 31 December 2012, Mr. Hong has provided personal guarantee to the Group in respect of the Group's interest-bearing bank borrowings which were fully settled during 2012.

(iv) Compensation of key management personnel

Key management includes members of the board of directors and other members of key management of the Group. The compensation paid or payable to key management personnel whose emolument fell within the band of nil to HK$1,000,000, is shown below:

	Group	
	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	**2,349**	1,646
Pension scheme contributions	**39**	24
	2,388	1,670

31. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2012, the Group disposed of its 100% interest in the registered capital of Fujian VC, at a cash consideration of RMB50,050,000 which was equivalent to the value of net assets disposed of.

	Year ended 31 December 2012 RMB'000
Net assets disposed of:	
Investment in associate	3,250
Amount due from a director	51,598
Cash and cash equivalents	77
Amount due to related companies	(4,875)
	50,050
Gain on disposal of a subsidiary	–
Total consideration	50,050

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Year ended 31 December 2012
Cash consideration	50,050
Cash and bank balances disposed of	(77)
	49,973
Offset with amount due from a director	(49,973)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–

The losses attributable to of the disposed subsidiary included in the Group's profit or loss for the year ended 31 December 2012 amounted to approximately RMB80,000.

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables				
Loan and account receivables	**223,101**	161,668	**–**	–
Other receivables	**1,100**	11,145	**–**	–
Amount due from a related company	**–**	5,812	**–**	–
Amount due from a director	**–**	6,822	**–**	–
Amounts due from a subsidiary	**–**	–	**86,034**	–
Restricted bank deposits	**124,140**	96,112	**–**	–
Cash and bank balances	**181,055**	48,996	**55,903**	–
	529,396	330,555	**141,937**	–
Financial liabilities				
At amortised costs				
Accruals, deposits received and other payables	**18,028**	1,988	**357**	59
Amount due to shareholders	**–**	19,875	**–**	–
Amount due to a subsidiary	**–**	–	**644**	–
	18,028	21,863	**1,001**	59

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loan and account receivables, other receivables, amounts due from a related company and a director, restricted bank deposits, cash and bank balances, amount due from/to a subsidiary, accruals, deposits received, other payables and amount due to shareholders. These financial instruments mainly arise from its operations.

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

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

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's bank balances and restricted bank deposits were bearing floating interest rate. Exposure to floating interest rate exists when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

The interest rates of the above interest-bearing financial assets of the Group are disclosed in notes 18 and 24 respectively. The following table illustrates the sensitivity of profit after income tax for the year to a reasonably possible change in interest rates of 0.5%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's floating rate financial instruments held at the reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	Group			
	2013		2012	
	RMB'000	**RMB'000**	RMB'000	RMB'000
	+0.5%	**–0.5%**	+0.5%	–0.5%
Increase/(decrease) in profit after income tax for the year and retained profits	**1,222**	**(1,222)**	544	(544)

Credit risk

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

At the reporting date, the Group's exposure under outstanding loan and account receivables were secured by the collateral of the customers as disclosed in note 19.

All customers who wish to obtain financial guarantee from the Group are also subject to management review. The Group has entered into financial guarantee contracts in which it has guaranteed the bank the repayment of loan by customers of the Group. The Group has the obligation to compensate the bank for the loss it would suffer because the customers fail to repay. The Group's maximum exposure under the financial guarantee contracts is disclosed in "liquidity risk" below. To mitigate such risk, the Group requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. In order to maintain the credit risk at desirable levels, the Group's average loan-to-value ratio was kept at a level that could ensure the recoverability of the outstanding guarantee amount. At the reporting date, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Real estate	**186,285**	378,286
Inventories	**684,368**	393,963
Machinery	**117,891**	74,591
Motor vehicles	**2,448**	9,431
Property rights	**2,050**	167,599
	993,042	1,023,870

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk

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

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000
Group						
At 31 December 2013						
Accruals, deposits received and other payables	18,028	18,028	–	4,780	–	13,248
Financial guarantees issued						
Maximum amount guaranteed	503,678	503,678	503,678	–	–	–
At 31 December 2012						
Accruals and other payables	1,988	1,988	–	1,988	–	–
Amount due to shareholders	19,875	19,875	19,875	–	–	–
	21,863	21,863	19,875	1,988	–	–
Financial guarantees issued						
Maximum amount guaranteed	408,310	408,310	408,310	–	–	–
Company						
At 31 December 2013						
Accruals and other payables	357	357	–	357	–	–
Amounts due to a subsidiary	644	644	644	–	–	–
	1,001	1,001	644	357	–	–
At 31 December 2012						
Accruals and other payables	59	59	–	59	–	–

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Capital management

The Group's capital management objectives include:

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

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

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

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

Management regards total equity as capital. The amount of capital as at 31 December 2013 amounted to approximately RMB507,811,000 (2012: RMB312,380,000), which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.