Flying Financial Service Holdings Limited

匯聯金融服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8030

ANNUAL REPORT

2014

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.

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zheng Weijing *(Chairman and Chief Executive Officer) (former vice-chairman; re-designed as Chairman and Chief Executive Officer with effect from 4 November 2014)*

Mr. Li Zhongyu *(former Chairman until 4 November 2014; resigned on 4 November 2014)*

Mr. Peng Zuohao *(former Chief Executive Officer until 4 November 2014; resigned on 4 November 2014)*

Independent Non-executive Directors

Mr. Vincent Cheng

Mr. Zhang Gongjun

Mr. Leung Po Hon *(appointed on 15 August 2014)*

Mr. Lu Quanzhang *(resigned on 15 August 2014)*

COMPANY SECRETARY

Mr. Lee Man Tai, *FCCA, FCPA (appointed on 31 August 2014)*

Ms. Chan Yuen Ying Stella, *FCIS, FCS (appointed on 27 January 2014; resigned on 31 August 2014)*

Mr. Tsang Chi Wai, Rock, *CPA, FCCA (resigned on 27 January 2014)*

COMPLIANCE OFFICER

Mr. Zheng Weijing

AUTHORIZED REPRESENTATIVES

Mr. Zheng Weijing *(appointed on 4 November 2014)*

Mr. Li Zhongyu *(resigned on 4 November 2014)*

Mr. Lee Man Tai *(appointed on 31 August 2014)*

Ms. Chan Yuen Ying Stella *(appointed on 27 January 2014; resigned on 31 August 2014)*

Mr. Tsang Chi Wai, Rock *(resigned on 27 January 2014)*

AUDIT COMMITTEE

Mr. Vincent Cheng *(Chairman)*

Mr. Zhang Gongjun

Mr. Leung Po Hon *(appointed as member on 15 August 2014)*

Mr. Lu Quanzhang *(resigned as member on 15 August 2014)*

REMUNERATION COMMITTEE

Mr. Leung Po Hon *(Chairman) (Chairman with effect from 15 August 2014)*

Mr. Lu Quanzhang *(former Chairman until 15 August 2014; resigned as Chairman and member on 15 August 2014)*

Mr. Zhang Gongjun

Mr. Zheng Weijing *(appointed as member on 4 November 2014)*

Mr. Peng Zuohao *(resigned as member on 4 November 2014)*

NOMINATION COMMITTEE

Mr. Zheng Weijing *(Chairman) (Chairman with effect from 4 November 2014)*

Mr. Li Zhongyu *(former Chairman until 4 November 2014; resigned as Chairman and member on 4 November 2014)*

Mr. Vincent Cheng

Mr. Zhang Gongjun

PRINCIPAL BANKERS

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

Industrial and Commercial Bank of China
Shenzhen Excellence Century Centre Branch
1/F, No. 3, Excellence Century Centre
Fuhua Three Road
Futian District
Shenzhen, China

COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
29–30/F, Li Po Chun Chembers
189 Des Voeux Road Central
Hong Kong

AUDITOR

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

CORPORATE INFORMATION

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

18th Floor, Block C, Building 1
Shenzhen Software Industry Base
High-tech Industrial Park
Nanshan District
Shenzhen, China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.flyingfinancial.hk

STOCK CODE

8030

FINANCIAL HIGHLIGHTS

	2014 RMB'000	2013 RMB'000	Changes
OPERATING RESULTS			
Revenue	**32,053**	107,980	**-70.32%**
(Loss)/profit for the year attributable to owners of the Company	**(86,363)**	9,697	**-990.62%**
Basic (loss)/earnings per share	**RMB(8.46) cent**	RMB0.95 cent	**-990.53%**
Dividend for the year per share	**HK0.00 cent**	HK0.00 cent	**N/A**
FINANCIAL POSITION			
Total assets	**330,395**	467,761	**-29.37%**
Bank balances and cash	**67,530**	125,794	**-46.32%**
Net assets	**241,156**	336,447	**-28.32%**

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board") of Flying Financial Service Holdings Limited, I am pleased to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

During the year under review, against the backdrop of sluggish economy, weak loan demand and issues of the industry, the market saw consolidation. The Group did not promptly change its strategy in response to changes of the market, resulting in significant drop in operating results for 2014.

At the end of the year, the investment and sales performance of the real estate industry in China further declined. The Group successfully grasped market opportunities by introducing customized financial services for domestic real estate developers to meet market demands. We cooperated with the top ten real estate developers in China by providing a series innovative and effective solutions. We introduced the financial service model of "entire real estate industrial chain", the first of its kind in China.

The number of users of online wealth management showed a tremendous boost. In the second half of the year, the Group began to study the development of internet financing and its implication to the Group. The Group supported the development of online wealth management business.

The development of the Group is driven by study and innovation. The market in China is huge and the Group is confident of the prospects of the new business model. On behalf of the Board, I would like express our gratitude to all shareholders and investors for their long-held belief and supports. I would also like to express our sincere appreciation to all management members and employees of the Group for their devotion. The Group will proactively overcome challenges and seize opportunities to create rich investment return for our shareholders.

Zheng Weijing
Chairman

Hong Kong, 23 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group provides integrated short-term financing services serving different needs of its customers. For the year ended 31 December 2014, the turnover was mainly derived from financial consultation services and the entrusted loan services.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014, the Group's revenue decreased by approximately 70.3% from approximately RMB108.0 million for the corresponding period in 2013 to approximately RMB32.1 million for the year ended 31 December 2014. The decrease in the revenue was mainly due to the decrease of number of new contracts entered into for the financial consultation services and entrusted loan services of the Group.

Financial consultation services income

For the year ended 31 December 2014, the Group's revenue from provision of financial consultation services decreased by approximately 70.0% from approximately RMB80.1 million for the corresponding period in 2013 to approximately RMB24.0 million.

Entrusted loan services income

For the year ended 31 December 2014, the Group's revenue from provision of entrusted loan services decreased by approximately 67.8% from approximately RMB23.3 million for the corresponding period in 2013 to approximately RMB7.5 million.

Pawn loan services income

For the year ended 31 December 2014, the Group's revenue from provision of pawn loan services decreased by approximately 95.6% from approximately RMB4.5 million for the corresponding period in 2013 to approximately RMB0.2 million. As pawn shops in Guangdong are expanding their business, the competition for pawn loan services is fierce. The Group shifted its focus to entrusted loan services which provide more flexibility on serving its customers since 2013.

Finance costs

For the year ended 31 December 2014, the Group's interest expenses increased by approximately 101.5% from approximately RMB6.6 million for the corresponding period in 2013 to approximately RMB13.3 million. Such increase in interest expenses was mainly attributable to the interest for the corporate bonds denominated in Renminbi with an aggregate nominal value of RMB100 million issued in May and August 2013 (the "RMB Denominated Bonds"). On 30 September 2014 (the "Redemption Date"), the Company partially redeemed the principal amount of RMB30 million of the RMB Denominated Bonds at the redemption price equal to 100.0% of the outstanding principal amount thereof plus accrued and unpaid interest as of the Redemption Date. The total redemption price payable by the Company amounted to approximately RMB30.8 million, being the redemption amount of RMB30 million, plus accrued and unpaid interest of approximately RMB0.8 million to the Redemption Date. The RMB Denominated Bonds amounted to RMB70 million as at the date of this report. Among which RMB Denominated Bonds in the principal amount of RMB21 million and RMB49 million will be expired by May 2015 and August 2015, respectively.

Other (loss) or income

The Group's other loss or income primarily comprised bank interest income, fair value change of financial liabilities at fair value through profit or loss, investment income, loss on disposal or dissolution of available-for-sale investments, bad debts written off, loss on disposal of property, plant and equipment, other expenses and other income. The Group's other loss for each of the two years ended 31 December 2014 and 31 December 2013 were approximately RMB55.1 million and RMB26.0 million, respectively. The increase of approximately 111.9% in the Group's other loss was mainly attributable to the loss on disposal or dissolution of available-for-sale investments, and bad debts written off which was partly diminished by fair value change of financial liabilities at fair value through profit or loss and investment income.

Bad debts of RMB21.8 million were charged to profit or loss during the year ended 31 December 2014 for loan and accounts receivables which mainly included RMB15.9 million caused by the bankruptcy of a borrower. One of the limited partnerships the Group invested during the year ended 31 December 2013 with an investment cost of RMB0.5 million disposed of its major underlying assets during the year ended 31 December 2014. This limited partnership had significant net liabilities as it made losses on its investments and incurred daily operation costs in the normal course of business. Under the partnership agreement, the Group had the obligation to bear the liabilities of the limited partnership. As a result, the Group had to contribute RMB20.3 million to settle the liabilities of the limited partnership. Accordingly, a loss on dissolution of RMB20.8 million (being the investment cost of RMB0.5 million and the additional contribution of RMB20.3 million) was recognised in profit or loss during the year. The limited partnership is currently in the process of deregistration. During the year ended 31 December 2014, the Group suffered a loss on available-for-sale investment of RMB18.0 million as further described in note 17(a)(i) to the financial statements.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and marketing and advertising expenses. The Group's administrative and other operating expenses for each of the two years ended 31 December 2014 and 31 December 2013 were approximately RMB53.2 million and approximately RMB59.3 million, respectively. The decrease of approximately 10.3% was mainly attributed to decrease of marketing and advertising expenses of approximately RMB4.4 million which was partly diminished by the increase of rental expenses of approximately RMB0.8 million for office expansion.

(Loss)/profit for the year attributable to owners of the Company

The loss attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB86.4 million as compared to profit attributable to owners of the Company of approximately RMB9.7 million for the corresponding period in 2013, mainly due to (i) the decrease in the revenue; and (ii) substantial other loss incurred by the Group as more particularised in the sub-paragraphs headed "Revenue" and "Other (loss) or income" above.

OUTLOOK

Looking ahead, the Group will strengthen the strategic management, corporate governance and business development to effectively improve the operation efficiency. In addition, the Group will also seek to turn around its business from loss to profit through cost-saving and new sources of income. In future, the Group will further improve all business operation of customized financial services and financial services for the entire industrial chain. Customer service platform will be further enhanced on the basis of the internet p2p financial platform for better customer services and higher business value of real estate industry and related business.

MAJOR INVESTMENTS

As strategic investment, the Group entered into an equity transfer agreement on 5 September 2013 (as supplemented on 17 March 2014) to acquire approximately 1.119% of the equity interest ("Sale Equity Interest") of 中鐵信托有限責任公司 (China Railway Trust Co., Ltd.). On 30 May 2014, the Group entered into an agreement to terminate the purchase of the Sale Equity Interest. The deposit was fully refunded the Group in January 2015. For further detail, please refer to the announcements of the Company dated 5 September 2013, 17 March 2014 and 30 May 2014.

On 22 August 2013, to improve the investment return of the Group, the Group also entered into an asset management agreement as the assets trustor, with 五礦證券有限公司 (Minmetals Securities Co., Ltd.) as the manager, and 寧波銀行股份有限公司 (Bank of Ningbo Co., Ltd.) as the custodian in relation to the investment and management of the entrusted assets with a total amount of RMB90 million. On 4 September 2014, the Group entered into a renewal of asset management agreement. For further details, please refer to the announcements of the Company dated 22 August 2013 and 4 September 2014.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the Group had bank balances and cash of approximately RMB67.5 million (2013: approximately RMB125.8 million). During the year under review, the Group did not use any financial instruments for hedging purposes. The gearing ratio representing the ratio of total borrowings to the total assets of the Group was 20.7% as at 31 December 2014 (2013: 20.1%).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2014.

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

Save as disclosed under "Comparison of Business Objectives with Actual Business Progress" in this report, there was no specific plan for material investments or capital assets as at 31 December 2014.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no significant contingent liabilities (2013: nil).

CHARGES ON GROUP ASSETS

As at 31 December 2014, the Group did not have any charges on assets.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group had no significant capital commitments (2013: RMB156,000).

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total of 160 staff (2013: 156). Total staff costs (including Directors' emoluments) were approximately RMB18.9 million for the year ended 31 December 2014 (2013: RMB19.5 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, and contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 May 2015 to 15 May 2015, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the annual general meeting, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 13 May 2015.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Company's prospectus dated 20 April 2012 (the "Prospectus") with the Group's actual business progress for the year ended 31 December 2014 is set out below:

Business objectives for the period from 20 April 2012 to 31 December 2014 as stated in the Prospectus	**Actual business progress for the period from 20 April 2012 to 31 December 2014**

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

– Establish sales offices in Beijing, Shanghai and Guangdong Province	– Sales office in Beijing, Shanghai and Guangdong Province established
– Recruit new staff for Beijing, Shanghai and Guangdong Province sales office	– New staff recruited for Beijing, Shanghai and Guangdong Province sales office
– Placing advertisement	– Placing advertisement
Planned use of proceeds from listing from 20 April 2012 to 31 December 2014: approximately HK$10,800,000	**Total cost incurred by the Group from 20 April 2012 to 31 December 2014: approximately HK$20,110,000** *(Note)*

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

– Inject fundings or make contributions into member(s) of the Group	– Inject fundings or make contributions into member(s) of the Group
Planned use of proceeds from listing from 20 April 2012 to 31 December 2014: approximately HK$123,900,000	**Total cost incurred by the Group from 20 April 2012 to 31 December 2014: approximately HK$123,900,000**

As capital injection requires the PRC government's approval, the Group had injected approximately HK$123,900,000 into member companies for the period from 20 April 2012 to 31 December 2014. The Group does not anticipate any change to the intended usage of proceeds as at the date of this report.

Note: The Group incurred a total cost of HK$20,110,000 in developing the marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for the short-term financing and financial consultation services for the period from 20 April 2012 to 31 December 2014, of which approximately HK$10,800,000 was settled by the net proceeds from its listing.

USE OF PROCEEDS

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from 20 April 2012 to 31 December 2014, the net proceeds from listing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from 20 April 2012 to 31 December 2014 HK$	**Actual use of proceeds from 20 April 2012 to 31 December 2014** HK$
	Approximately	*Approximately*
1. Develop marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for short-term financing services and financial consultation services	10,800,000	10,800,000 *(Note)*
– Establish sales office in Beijing and Shanghai		
– Recruit new staff for the Beijing and Shanghai sales office		
– Placing advertisement		
2. Inject fundings or make contributions into member(s) of the Group	123,900,000	123,900,000

Note: The Group incurred a total cost of HK$20,110,000 in developing the marketing network in Shenzhen, Guangdong Province, Beijing and Shanghai for the short-term financing and financial consultation services for the period from 20 April 2012 to 31 December 2014, of which approximately HK$10,800,000 was settled by the net proceeds from its listing.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zheng Weijing (鄭偉京先生), aged 42, the co-founder of our Group, is our chairman and chief executive officer. Mr. Zheng has been our vice president since September 2008 and was appointed as our executive Director on 4 May 2011 and re-designated as Chairman and chief executive officer on 4 November 2014. He is responsible for strategic planning and overseeing the overall operation, general management and risk control of our Group.

Mr. Zheng finished the professional postgraduate course in Finance from Finance faculty of Graduate School of The Chinese Academy of Social Sciences in May 2007, and he has been attending courses for Executive Master of Business Administration of Peking University HSBC School of Business since February 2010. In the three years preceding the date of this annual report, Mr. Zheng did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Li Zhongyu (李仲豫先生), aged 41, the co-founder of our Group, was our chairman and executive Director. Mr. Li was appointed as our executive Director on 4 May 2011 and resigned on 4 November 2014. He was responsible for strategic planning and overseeing the overall operation and general management of our Group. Mr. Li founded our Group in September 2005.

Mr. Li finished the professional postgraduate course in Currency and Banking from Banking and Finance Faculty of Graduate School of The Chinese Academy of Social Sciences in March 1998. He obtained both Certificate of Clearing Staff of Shenzhen Stock Exchange and Qualification of Floor Trader of Shenzhen Stock Exchange in April 1993. In the three years preceding the date of this annual report, Mr. Li did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Peng Zuohao (彭作豪先生), aged 45, one of our co-founders and our chief executive officer, was appointed as our executive Director on 4 May 2011 and resigned on 4 November 2014. Mr. Peng was responsible for operation and management.

In June 1991, Mr. Peng obtained his bachelor's degree in Radio from Shenzhen University. In July 2010, he obtained the Executive Master of Business Administration from Peking University. In the three years preceding the date of this annual report, Mr. Peng did not hold any directorship in other listed public companies in Hong Kong or overseas.

Independent non-executive Directors

Mr. Vincent Cheng (鄭嘉福先生), aged 51, *FCPA (Aust), FCPA (HK), FCIS, FTI (HK)*, was appointed as our independent non-executive Director on 20 December 2011. Mr. Cheng obtained a master degree in business administration from Deakin University in Australia, and a bachelor of arts degree in accountancy from the City University of Hong Kong. Mr. Cheng was admitted as a fellow of CPA Australia, the Institute of Chartered Secretaries and Administrators, Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong.

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

On 10 August 2013, Mr. Cheng was appointed as an independent non-executive director of Nanjing Sinolife United Company Limited* (南京中生聯合股份有限公司), a company which is a nutritional supplements retailer and listed on Main Board of the Stock Exchange of Hong Kong Limited (stock code: 3332). He is the independent non-executive Director who has the qualifications and experience (as mentioned above) to meet the requirements under Rules 5.05(2) of the GEM Listing Rules. Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Cheng did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Zhang Gongjun (張公俊先生), aged 49, was appointed as our independent non-executive Director on 20 December 2011. Mr. Zhang obtained the certificate of master's degree in business administration from the Peking University in July 2013.

Mr. Zhang is currently the managing director of Shenzhen Sino-investment Company Limited, and responsible for overall operational management.

From August 2008 to January 2012, Mr. Zhang had been serving as a non-executive director of Sino Grandness Food Industry Group Limited, a company incorporated in the Republic of Singapore whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited with stock code T4B. Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Zhang did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Leung Po Hon (梁寶漢先生), aged 50, *FCCA, CPA (Practising)*, was appointed as our independent non-executive Director on 15 August 2014. Mr. Leung graduated and obtained a Professional Diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1987. Mr. Leung holds a Master Degree in Business Administration of University of Bradford of the United Kingdom. He is also a member of Hong Kong Institute of Certified Public Accountant and a fellow member of Chartered Association of Certified Accountants.

Mr. Leung is currently a practicing director of Poon and Tong C.P.A. Limited, which he joined in 2001. Mr. Leung has more than 20 years of experience in accounting, auditing and financial management. In the three years preceding the date of this annual report, Mr. Leung did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Lu Quanzhang (盧全章先生), aged 57, was appointed as our independent non-executive Director on 16 August 2012 and resigned on 15 August 2014. Mr. Lu has over 20 years of experience in legal practice in the PRC. Mr. Lu is a registered lawyer in the PRC. He holds a master post graduate certificate of law from China University of Political Science and Law. Mr. Lu was a founding partner of Jun Yan Law Firm in Guangdong where he has practiced since 2003. He is an arbitrator of the China International Economic and Trade Arbitration Commission since May 2011.

Mr. Lu currently serves as an executive director and the chairman of the board of directors of Deson Development International Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 262). Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Lu did not hold any directorship in other listed public companies in Hong Kong or overseas.

* *For identification purposes only*

SENIOR MANAGEMENT

Mr. Lee Man Tai (李文泰先生), aged 38, *FCCA, FCPA*, joined the Company in July 2014 and has acted as the Chief Financial Officer of the Company and was appointed as company secretary on 31 August 2014. He graduated from Lingnan University in 2000 with a bachelor's degree in business of administration and obtained a master's degree of business of administration in financial services from The Hong Kong Polytechnic University in 2010. Mr. Lee is also an associate member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") since 2004 and a member of the Association of Chartered Certified Accountants ("ACCA") since 2007. In 2012, Mr. Lee was admitted as a fellow member of HKICPA and ACCA. Mr. Lee has more than 14 years of professional experience in accounting and auditing.

Mr. Lee worked in Victor W.N. Ngai & Co CPA from June 2000 to July 2001. He then worked in Grant Thornton CPA (now known as BDO Limited) from September 2001 to April 2006. He acted as the chief financial officer and company secretary of China Yuanbang Property Holdings Limited, a company incorporated in Bermuda whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited with stock code B2X, during the period from October 2006 to October 2012, and acted as the chief financial officer and company secretary of China 33 Media Group Limited, a company incorporated in the Cayman Islands whose shares are listed on GEM Board of the Stock Exchange of Hong Kong Limited (stock code: 8087) during the period from October 2012 to May 2014.

Ms. Liu Jun (劉軍女士), aged 42, was our financial controller who is responsible for monitoring the daily operation of finance function of our Group. Ms. Liu joined our Group in September 2005 as financial controller and she has been a director of Guangdong Huijin since 2008 and resigned on 11 July 2014.

Ms. Liu, Bachelor degree, SIFM, Senior Accountant, has more than 17 years of experience in accounting management and financial business.

COMPANY SECRETARY

Mr. Lee Man Tai (李文泰先生), who is also our Chief Financial Officer, is our company secretary. Please refer to his biographies above for details.

COMPLIANCE OFFICER

Mr. Zheng Weijing (鄭偉京先生), who is also an executive Director, is our compliance officer. Please refer to his biographies above for details.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2014 save as the deviation as mentioned in the following section headed "Chairman and Chief Executive Officer" in this report.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made all reasonable enquires, all the Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the year ended 31 December 2014.

A. THE BOARD

A.1 Board of Directors

The Company is governed by the Board which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to developing its business and enhancing shareholder value.

A.2 Board composition

The Board currently comprises the following directors:

Executive directors:

Mr. Zheng Weijing	*(Chairman and Chief Executive Officer) (former vice-chairman; re-designed as Chairman and Chief Executive Officer with effect from 4 November 2014)*
Mr. Li Zhongyu	*(former Chairman until 4 November 2014; resigned on 4 November 2014)*
Mr. Peng Zuohao	*(former Chief Executive Officer until 4 November 2014; resigned on 4 November 2014)*

Independent non-executive directors:

Mr. Vincent Cheng	
Mr. Zhang Gongjun	
Mr. Leung Po Hon	*(appointed on 15 August 2014)*
Mr. Lu Quanzhang	*(resigned on 15 August 2014)*

The biographical details of the Directors and senior management are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14 of this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group.

During the year ended 31 December 2014, 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 pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the independent non-executive Directors. The Company considers all the independent non-executive Directors to be independent.

A.3 The Board

The Board is responsible for the leadership and control of, and promoting the success of the Company. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Company.

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.

There is no relationship, including financial, business, family or other material/relevant relation(s) among members of the Board and between the Chairman and the Chief Executive Officer ("CEO") of the Company.

Formal service agreements and letters of appointment have been issued to the executive Directors and the independent non-executive Directors respectively setting out the key terms and conditions of their respective appointments.

The insurance cover in respect of legal action against the Company's Directors and senior officers is covered by the existing Directors & Officers Liability Insurance Policy of the Company.

A.4 Chairman and Chief Executive Officer

After the resignation of Mr. Li Zhongyu as the Chairman and the executive Director, resignation of Mr. Peng Zuohao as the CEO and executive Director, and re-designation of Mr. Zheng Weijing as the Chairman and CEO with effect from 4 November 2014, the Company has not complied with A.2.1. of the Code. Under the code provision A.2.1 of the Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

As of the date of this report, the roles of the Chairman and the CEO of the Company are not separate and both are performed by Mr. Zheng Weijing. The Company is in the process of identifying a suitable person to act as the CEO and shall make the announcement as and when appropriate. Since the Directors meet regularly to consider major matters affecting the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Company to make and implement decisions promptly and efficiently.

A.5 Responsibilities and delegation of functions

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management of the Group. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "Company Secretary") and senior management of the Company, with a view to ensuring compliance with the Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Company are delegated to the executive Directors and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of the Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance duties, which included:

(1) developing and reviewing the policies and practices on corporate governance of the Group;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

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

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

A.6 Appointment, re-election and removal of directors

Each of Mr. Zheng Weijing, Mr. Li Zhongyu (who resigned on 4 November 2014) and Mr. Peng Zuohao (who resigned on 4 November 2014), being all the executive Directors, has entered into a service contract with the Company dated 20 December 2011 for an initial fixed term of three years commencing from 1 January 2012 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 Mr. Vincent Cheng and Mr. Zhang Gongjun, being the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of one year commencing from 20 December 2011. Each of Mr. Lu Quanzhang (who resigned on 15 August 2014) and Mr. Leung Po Hon (who was appointed on 15 August 2014), being the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of two years commencing from 16 August 2012 and 14 August 2014, respectively. The aforementioned appointment letter with the Company for each of the independent non-executive Directors shall be automatically renewed and extended for successive terms of one year and may be terminated after the initial term by either party by giving at least three months' notice in writing.

The Directors are subject to retirement by rotation in accordance with the Company's Articles of Association. According to the Company's Articles of Association, one-third of the Directors are required to retire from office at each annual general meeting, provided that each Director shall be subject to retirement by rotation at least once every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment.

A.7 Board meeting, general meeting and procedures

During the year ended 31 December 2014, the Board convened a total of eleven board meetings and one general meeting was held. The following is the Directors' attendance record of meetings held by the Board of the Company and general meeting:

	Number of attendance/ number of board meeting	Number of attendance/ number of general meeting
Mr. Zheng Weijing	11/11	1/1
Mr. Li Zhongyu *(resigned on 4 November 2014)*	9/9	1/1
Mr. Peng Zuohao *(resigned on 4 November 2014)*	8/9	0/1
Mr. Vincent Cheng	11/11	1/1
Mr. Zhang Gongjun	11/11	1/1
Mr. Leung Po Hon *(appointed on 15 August 2014)*	5/5	0/0
Mr. Lu Quanzhang *(resigned on 15 August 2014)*	6/6	0/1

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meeting and draft agenda of each Board meetings are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final version are open to Directors for inspection. The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

A.8 Continuous professional development

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

During the year ended 31 December 2014, all Directors had participated in continuous professional development in the following manner in compliance with Paragraph A.6.5 of the Code:

	Type of training
Mr. Zheng Weijing	A, B, C
Mr. Li Zhongyu *(resigned on 4 November 2014)*	C
Mr. Peng Zuohao *(resigned on 4 November 2014)*	C
Mr. Vincent Cheng	B, C
Mr. Zhang Gongjun	B, C
Mr. Leung Po Hon *(appointed on 15 August 2014)*	B, C
Mr. Lu Quanzhang *(resigned on 15 August 2014)*	B, C

A: attending internal briefing session in relation to corporate governance

B: attending seminars/courses/conference to develop professional skills and knowledge

C: reading materials in relation to regulatory update

B. BOARD COMMITTEES

During the year ended 31 December 2014, the Board has established three Board committees, namely, the audit committee (the "Audit Committee"), nomination committee (the "Nomination Committee") and remuneration committee (the "Remuneration 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.

B.1 Audit Committee

The Board established the Audit Committee on 20 December 2011 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Code. The primary duties of the Audit Committee are mainly to (i) review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors before submission to the Board; (ii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

As at 31 December 2014, the Audit Committee has three members comprising Mr. Vincent Cheng (Chairman), Mr. Zhang Gongjun and Mr. Leung Po Hon, all of whom are independent non-executive Directors. During the year ended 31 December 2014, the Audit Committee had reviewed the interim results and report of the Company for the six months ended 30 June 2014 and first and third quarterly results and reports of the Company for the periods ended 31 March 2014 and 30 September 2014 respectively. Subsequent to 31 December 2014 and up to the date of this report, all members of the Audit Committee attended a meeting to review the Group's internal controls and the Structured Agreements (as set out in the section headed "Report of the Directors" on pages 35 to 39 of this annual report) for the year ended 31 December 2014. The Group's final results and the annual results announcement for the year ended 31 December 2014 and this annual report had been reviewed by the Audit Committee before submission to the Board for approval. Members of Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

During the year ended 31 December 2014, four meetings of the Audit Committee were held and the attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Vincent Cheng	4/4
Mr. Zhang Gongjun	4/4
Mr. Leung Po Hon *(appointed on 15 August 2014)*	2/2
Mr. Lu Quanzhang *(resigned on 15 August 2014)*	2/2

B.2 Nomination Committee

The Company has established the Nomination Committee on 20 December 2011 with written terms of reference in compliance with the Code. The primary duties of the Nomination Committee are mainly to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of independent non-executive Directors.

As at 31 December 2014, the Nomination Committee has three members comprising of an executive Director, Mr. Zheng Weijing (Chairman) and two independent non-executive Directors, Mr. Vincent Cheng and Mr. Zhang Gongjun. During the year ended 31 December 2014, three meetings of the Nomination Committee were held to review the structure and composition of the Board. The attendance of each member of the Nomination Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Zheng Weijing *(appointed on 4 November 2014)*	0/0
Mr. Li Zhongyu *(resigned on 4 November 2014)*	1/3
Mr. Vincent Cheng	3/3
Mr. Zhang Gongjun	3/3

The Board adopted on 29 August 2013 a board diversity policy (the "Board Diversity Policy") and the Nomination Committee had made recommendations to the Board on the measurable objectives for implementing the Board Diversity Policy. The Board recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The measurable objectives recommended by the Nomination Committee and adopted by the Board include the following:

(i) At least 33% of the members of the Board shall be non-executive Directors or independent non-executive Directors;

(ii) At least 80% of the members of the Board shall have attained bachelor's degree or above;

(iii) At least 33% of the members of the Board shall have obtained accounting or other professional qualifications;

(iv) At least 33% of the members of the Board shall have more than seven years of experience in the industry he is specialised in; and

(v) At least 33% of the members of the Board shall have China-related work experience.

B.3 Remuneration Committee

The Company established the Remuneration Committee on 20 December 2011 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive Directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

As at 31 December 2014, the Remuneration Committee has three members comprising two independent non-executive Directors, Mr. Leung Po Hon (Chairman) and Mr. Zhang Gongjun, and an executive Director, Mr. Zheng Weijing. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. During the year ended 31 December 2014, two meetings of the Remuneration Committee were held to review the remuneration package of the Directors and senior management of the Company, the attendance of each member of the Remuneration Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Leung Po Hon *(appointed on 15 August 2014)*	0/0
Mr. Lu Quanzhang *(resigned on 15 August 2014)*	2/2
Mr. Zhang Gongjun	2/2
Mr. Zheng Weijing *(appointed on 4 November 2014)*	0/0
Mr. Peng Zuohao *(resigned on 4 November 2014)*	2/2

C. REMUNERATION OF SENIOR MANAGEMENT

The biographical details of the senior management are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14 of this annual report.

The remuneration paid/payable to senior management of the Group for the year ended 31 December 2014 fell within the following bands:

	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	–
Total	2

D. DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year and to ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about their responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on page 42 of this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

E. INTERNAL CONTROL

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year ended 31 December 2014, the Board has conducted a review of the effectiveness of the internal control system of the Company.

F. INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditors of the Group for the year ended 31 December 2014 is set out as follows:

Services rendered	Paid/payable RMB'000
Statutory audit services	1,127
Non-statutory audit services	–
Total	1,127

G. COMPANY SECRETARY

Following the resignation of Mr. Tsang Chi Wai, Rock as Company Secretary of the Company on 27 January 2014, the Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1") on the same date, to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company on 27 January 2014 and resigned on 31 August 2014.

Mr. Lee Man Tai ("Mr. Lee") joined the Group in July 2014 and has been the Company Secretary since 31 August 2014. The biographical details of Mr. Lee are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14 of this annual report. According to the requirements of Rule 5.15 of the GEM Listing Rules, Mr. Lee has taken no less than 15 hours of relevant professional training during the year ended 31 December 2014.

H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

I. SHAREHOLDERS' RIGHTS

Procedures for convening extraordinary meeting on requisition

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

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

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

Principal place of business of the Company in Hong Kong

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

Attention: Board of Directors/Company Secretary

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

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

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

Procedures for raising enquiries

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

Tricor Investor Services Limited

Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

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

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

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

Procedures for Shareholders to put forward proposals at general meeting

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

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

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

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

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

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

J. NON-COMPETITION UNDERTAKING

Details on the compliance of the Non-Competition Undertaking by the Controlling Shareholders for the year ended 31 December 2014 is set out in the paragraph headed "Non-Competition Undertaking" on pages 28 to 29 of this annual report.

K. CONSTITUTIONAL DOCUMENTS

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

REPORT OF THE DIRECTORS

The Board of Directors of the Company is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 43 to 99.

The Board did not recommend the payment of any final dividend for the financial year ended 31 December 2014 (2013: nil) to the shareholders of the Company.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on page 100 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company has no reserves available for distribution to equity holders (2013: nil).

MAJOR CUSTOMERS

For the year ended 31 December 2014, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

–	The largest customer	30%
–	The total of five largest customers	92%

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

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Zheng Weijing
Mr. Li Zhongyu *(resigned on 4 November 2014)*
Mr. Peng Zuohao *(resigned on 4 November 2014)*

Independent Non-executive Directors

Mr. Vincent Cheng
Mr. Zhang Gongjun
Mr. Leung Po Hon *(appointed on 15 August 2014)*
Mr. Lu Quanzhang *(resigned on 15 August 2014)*

Pursuant to Article 105(A) of the Company's articles of association (the "Articles of Association"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

By virtue of Article 105(A) of the Articles of Association of the Company, Mr. Zheng Weijing will retire at the forthcoming annual general meeting. Mr. Zheng Weijing, being eligible, will offer himself for re-election at the annual general meeting.

By virtue of Article 109 of the Articles of Association of the Company, any person appointed by the Directors to fill a casual vacancy or as additional Director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. Mr. Leung Po Hon, who was appointed by the board of Directors of the Company as an independent non-executive Director pursuant to board resolution with effect from 15 August 2014, will retire at the forthcoming annual general meeting, Mr. Leung Po Hon, being eligible, will offer himself for re-election at the annual general meeting.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

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

Each of the independent non-executive Directors was appointed for a fixed term of one year or two years (as set out in the section headed "Corporate Governance Report" on page 18 of this annual report) and shall be subject to retirement, re-election and removal in accordance with the Articles of Association.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from all three independent non-executive Directors pursuant to the Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

PENSION SCHEME

Particulars of the pension scheme of the Group are set out in note 11 to the audited financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which any person may have with the Group as at 31 December 2014.

NON-COMPETITION UNDERTAKING

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

On 6 October 2014, High Eminent Limited ceased to be the indirect shareholder of the Company.

On 10 October 2014, Silvery Dragon Limited ceased to be the direct shareholder of the Company, and Prime Origin Limited ceased to be the indirect shareholder of the Company.

On 4 November 2014, Mr. Li Zhongyu and Mr. Peng Zuohao resigned as the executive Directors of the Company. On the same date, Ding Rong Limited and Ocean Prosperous Limited ceased to be the direct shareholders of the Company.

The existing and past Controlling Shareholders have confirmed to the Company in respect of their compliance with the Non-competition Undertaking during the financial year ended 31 December 2014 and up to the date of this annual report or up to the date of the cessation of directorship or membership. The Non-competition Undertaking has ceased to have effect on the past Controlling Shareholders.

The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking during the financial year ended 31 December 2014 and up to the date of this annual report based on information and confirmation provided by or obtained from existing and past Controlling Shareholders, and were satisfied that the existing and past Controlling Shareholders have duly complied with the Non-competition Undertaking.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

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

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

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

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

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

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

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

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

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

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

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

As at the date of this annual report, based on information and confirmation provided by or obtained from the Group, the independent non-executive Directors were satisfied that the Group have duly complied with the prescribed thresholds under the Pawning Measures for the year ended 31 December 2014.

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

As at 31 December 2014, the interests of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

	Number of Shares held *(Note 1)*				
Name of Director	**Beneficial interest**	**Interest of spouse**	**Interest of controlled corporation**	**Total**	**Approximate percentage (%)**
Mr. Zheng Weijing	24,180,135 (L)	–	208,493,045 (L) *(Note 2)*	232,673,180 (L)	22.80

Notes:

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

2. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.

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

Name of Director	**Nature of interest**	**Equity interest**	**Approximate percentage of equity interest (%)**
Mr. Zheng Weijing	Interest of controlled corporation *(Note)*	RMB71,240,000	70.53

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

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

* *For identification purposes only*

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

As at 31 December 2014, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

	Number of Shares held *(Note 1)*				
Name of Shareholder	**Beneficial Interest**	**Interest of spouse**	**Interest of controlled corporation**	**Total**	**Approximate percentage**
Ming Cheng Investments Limited	208,493,045 (L) *(Note 2)*	–	–	208,493,045 (L)	20.43
Mr. Zheng Weijing	24,180,135 (L)	–	208,493,045 (L) *(Note 2)*	232,673,180 (L)	22.80
Ms. Zhang Chushan	–	232,673,180 (L) *(Note 3)*	–	232,673,180 (L)	22.80
Sino-Africa Resources Holdings Limited	170,450,695 (L) *(Note 4)*	–	–	170,450,695 (L)	16.70
Peace Bloom Limited	96,952,725 (L) *(Note 5)*	–	–	96,952,725 (L)	9.50
Upsoar Limited	103,679,100 (L) *(Note 6)*	–	–	103,679,100 (L)	10.16
Mr. Huang Xiguang	–	–	170,450,695 (L) *(Note 4)*	170,450,695 (L)	16.70
Mr. Hu Jinxi	14,800,000	–	96,952,725 (L) *(Note 5)*	111,752,725 (L)	10.95
Ms. Fu Shanping	–	–	103,679,100 (L) *(Note 6)*	103,679,100 (L)	10.16
GF Securities (Hong Kong) Brokerage Limited	215,563,290 (L) *(Note 7)*	–	–	215,563,290 (L)	21.12
GF Holdings (Hong Kong) Corporation Limited *(Note 7)*	–	–	215,563,290 (L)	215,563,290 (L)	21.12
GF Securities Co., Ltd. *(Note 7)*	–	–	215,563,290 (L)	215,563,290 (L)	21.12

Notes:

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

2. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.

3. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing.

4. Sino-Africa Resources Holdings Limited is a company wholly-owned by Mr. Huang Xiguang.

5. Peace Bloom Limited is a company wholly-owned by Mr. Hu Jinxi.

6. Upsoar Limited is a company wholly-owned by Ms. Fu Shanping.

7. These shares are registered in the name of GF Securities (Hong Kong) Brokerage Limited which is directly wholly-owned by GF Holdings (Hong Kong) Corporation Limited, and indirectly wholly-owned by GF Securities Co., Ltd. Under the SFO, GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. are deemed to be interested in the shares held by GF Securities (Hong Kong) Brokerage Limited.

Save as disclosed above, as at 31 December 2014, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

Details of the Share Option Scheme are as follows:

1. Purpose of the Share Option Scheme	As incentive or rewards to eligible participants for their contribution to the Group.
2. Eligible participants of the Share Option Scheme	Any eligible employee (whether full-time or part-time, including any executive Director), any non-executive Director, any shareholder, any supplier and any customer of the Company or any of its subsidiaries or any entity in which any member of the Group holds any equity interest, and any other party having contribution to the development of the Group.
3. Total number of Shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2014	100,000,000 shares (approximately 9.80% of the total issued share capital as at 31 December 2014).
4. Maximum entitlement of each participant under the Share Option Scheme	Not exceeding 1% of the issued share capital of the Company for the time being in any 12-month period. Any further grant of options in excess of such limit must be separately approved by the Company's shareholders in general meeting.
5. The period within which the Shares must be taken up under an option	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee thereof.

6. The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Directors, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.
7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made	A remittance in favour of the Company of HK$1.00 on or before the date of acceptance (which may not be later than 21 days from the date of offer).
8. The basis of determining the exercise price	Being determined by the Directors and being not less than the highest of: a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; b. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and c. the nominal value of the Shares.
9. The remaining life of the Share Option Scheme	The Scheme is valid and effective for a period of 10 years commencing on 20 December 2011 (being the date of adoption of the Share Option Scheme).

No share option has been granted under the Share Option Scheme since its adoption.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

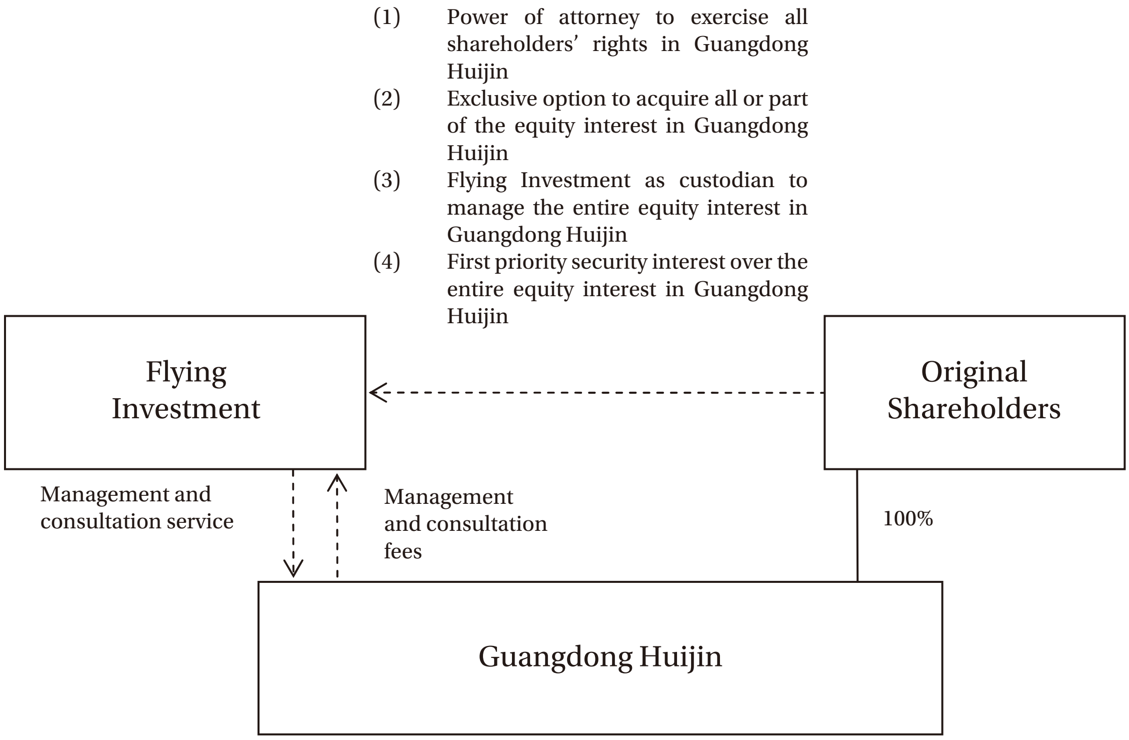
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Structure contracts

Arrangement under the Structured Agreements

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



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

Operation of the Structured Agreements

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

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

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

(1) Exclusivity Agreement

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

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

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

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

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

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

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

(2) Equity Pledge Agreement

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

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

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

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

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

(3) Exclusive Option and Equity Custodian Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Power of Attorney

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

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

During the year ended 31 December 2014, Flying Investment was not entitled to any management and consultation fees (2013: Nil) from Guangdong Huijin in a manner as prescribed in the exclusive agreement (as supplemented by the supplemental agreement) on 1 August 2011. The management and consultation fees are equivalent to the total revenue less all the related costs, expenses and taxes payable by Guangdong Huijin as extracted from the audited financial statements of Guangdong Huijin for the year ended 31 December 2014 ("Audited Financial Statements of Huijin"). According to the Audited Financial Statements of Huijin, no dividend or other distribution had been made for the year ended 31 December 2014 by Guangdong Huijin.

The independent non-executive Directors have reviewed the Structured Agreements and confirmed that: (i) the transactions carried out during the year ended 31 December 2014 have been entered into in accordance with the relevant provisions of the Structured Agreements, have been operated so that the revenue generated by Guangdong Huijin has been substantially retained by Flying Investment; (ii) no dividends or other distributions have been made by Guangdong Huijin to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; (iii) the Structured Agreements, any new contracts entered into, renewed or reproduced between the Group and Guangdong Huijin during the year ended 31 December 2014 are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole; (iv) the Structured Agreements have been entered into in the ordinary and usual course of business of the Group; and (v) the Structured Agreements have been entered into on normal commercial terms or better.

The Company's auditors 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 Guangdong Huijin to the Guangdong Huijin Registered Shareholders which are not otherwise subsequently assigned/transferred to the Group. The Board confirmed that the auditors have confirmed that none of the matters set out in Rule 20.54 of the GEM Listing Rules has come to the auditors' attention.

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

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

NOT APPLICABLE AND OTHER CORPORATE BOND

Particulars of not applicable and other corporate bond of the Group are set out in note 24 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the financial year ended 31 December 2014.

RELATED PARTY TRANSACTIONS

Save for the transactions disclosed under "Non-exempt Continuing Connected Transactions", details of the material related party transactions entered into by the Group are set out in note 30 to the consolidated financial statements which do not constitute notifiable or connected transactions under the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

INTEREST OF COMPLIANCE ADVISER

As notified by GF Capital (Hong Kong) Limited ("GF Capital"), the Company's compliance adviser, neither GF Capital nor any of its directors or employees or associates had any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2014, save for certain beneficial interests in the RMB Denominated Bonds held by GF Securities (Hong Kong) Brokerage Limited ("GF Securities") as bondholder. Both GF Securities and GF Capital are wholly-owned by GF Holdings (Hong Kong) Corporation Limited.

PLEDGE OF SHARES BY SHAREHOLDERS

On 17 October 2014, each of Mr. Zheng Weijing ("Mr. Zheng") and Ming Cheng Investments Limited ("Ming Cheng"), a wholly owned investment holding company of Mr. Zheng, entered into a security agreement (the "Security Agreement") with GF Securities as security agent, pursuant to which Mr. Zheng and Ming Cheng agreed to charge over 24,180,135 and 191,383,155 ordinary shares in the par value of HK$0.10 each in the share capital of the Company (collectively, the "Pledged Shares") held by Mr. Zheng and Ming Cheng respectively to GF Securities, representing approximately 2.37% and 18.75% of the issued share capital of the Company as at the date of this report, as security for the obligations of the Company under a subscription agreement dated 27 May 2013 (as supplemented by a supplemental deed dated 26 June 2014) entered into between, among others, the Company, GF Securities and various individuals and corporate entities as covenantors in respect of the RMB Denominated Bonds. As at the date of this report, the pledge of the Pledged Shares has not been released.

Details of the aforesaid pledge of the Pledged Shares were disclosed in the Company's announcement dated 17 October 2014 pursuant to Rule 17.19 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 20 December 2011. The role, function and composition of the Audit Committee are set out on pages 19 to 20 of this annual report.

The Group's consolidated results and the results announcement for the year ended 31 December 2014 have been reviewed by the Audit Committee. The Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 25 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under GEM Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2014 have been audited by BDO Limited, who will retire and a resolution to re-appoint BDO Limited as auditor of the Company will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

Zheng Weijing
Chairman

Hong Kong, 23 March 2015

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Flying Financial Service Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 43 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the Group's loss 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

Alfred Lee
Practising Certificate Number P04960
Hong Kong, 23 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	**32,053**	107,980
Other (loss) or income	8	**(55,121)**	(26,013)
Employee benefit expenses		**(18,941)**	(19,544)
Administrative expenses		**(34,257)**	(39,754)
Finance costs	9	**(13,327)**	(6,593)
(Loss)/profit before income tax expense	10	**(89,593)**	16,076
Income tax expense	12	**(5,308)**	(9,168)
(Loss)/profit for the year		**(94,901)**	6,908
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operation		**(390)**	275
– Change in fair value of available-for-sale investment		**–**	(4,629)
– Reclassified to profit or loss for impairment loss on available-for-sale investment		**–**	4,629
Total comprehensive income for the year		**(95,291)**	7,183
(Loss)/profit for the year attributable to:			
Owners of the Company		**(86,363)**	9,697
Non-controlling interests		**(8,538)**	(2,789)
		(94,901)	6,908
Total comprehensive income for the year attributable to:			
Owners of the Company		**(86,753)**	9,972
Non-controlling interests		**(8,538)**	(2,789)
		(95,291)	7,183
(Loss)/earnings per share – Basic and diluted (RMB cents)	14	**(8.46)**	0.95

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**4,641**	5,886
Held-to-maturity investments	*16*	**20,957**	21,999
Available-for-sale investments	*17*	**–**	10,000
Deposit paid	*20*	**–**	78,310
Loan and accounts receivables	*19*	**9,671**	–
		35,269	116,195
Current assets			
Held-to-maturity investments	*16*	**2,000**	2,000
Available-for-sale investments	*17*	**22,000**	96,371
Loan and accounts receivables	*19*	**58,979**	119,253
Deposits paid, prepayments and other receivables	*20*	**96,654**	8,148
Amount due from a shareholder	*21*	**24**	–
Amount due from non-controlling interest	*21*	**1**	–
Cash and cash equivalents	*22*	**67,530**	125,794
		247,188	351,566
Non-current assets classified as held for sale	*18*	**47,938**	–
		295,126	351,566
Current liabilities			
Receipt in advance, accruals and other payables	*23*	**5,004**	8,772
Amounts due to non-controlling interests	*21*	**1,539**	1,791
Dividend payable		**35**	35
Financial liabilities at fair value through profit or loss		**–**	5,000
Current tax liabilities		**14,329**	21,616
Corporate bonds payable	*24*	**68,332**	–
		89,239	37,214
Net current assets		**205,887**	314,352
Total assets less current liabilities		**241,156**	430,547
Non-current liabilities			
Corporate bonds payable	*24*	**–**	94,078
Deferred tax liabilities	*12*	**–**	22
		–	94,100
NET ASSETS		**241,156**	336,447

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*25*	**83,165**	83,165
Reserves	*26(a)*	**169,482**	256,235
		252,647	339,400
Non-controlling interests	*28*	**(11,491)**	(2,953)
TOTAL EQUITY		**241,156**	336,447

On behalf of the Board

Zheng Weijing
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	27	**2**	2
		2	2
Current assets			
Amounts due from subsidiaries	21	**90,157**	163,606
Amount due from a shareholder	21	**24**	–
Prepayments and other receivables		**1**	148
Cash and cash equivalents	22	**542**	9,513
		90,724	173,267
Current liabilities			
Accruals		**254**	325
Amounts due to subsidiaries	21	**9,729**	2,791
Dividend payable		**35**	35
Corporate bonds payable	24	**68,332**	–
		78,350	3,151
Net current assets		**12,374**	170,116
Total assets less current liabilities		**12,376**	170,118
Non-current liabilities			
Corporate bonds payable	24	**–**	94,078
NET ASSETS		**12,376**	76,040
EQUITY			
Share capital	25	**83,165**	83,165
Reserves	26(b)	**(70,789)**	(7,125)
TOTAL EQUITY		**12,376**	76,040

On behalf of the Board

Zheng Weijing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Available-for-sale investment valuation reserve	Retained earnings	Dividend proposed	Total		
		(note 26(c)(i))	*(note 26(c)(ii))*	*(note 26(c)(iii))*	*(note 26(c)(iv))*	*(note 26(c)(v))*	*(note 26(c)(vi))*	*(note 26(c)(vii))*			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance 1 January 2013	83,165	22,175	116,659	11,985	314	–	95,130	24,950	354,378	(165)	354,213
Profit/(loss) for the year	–	–	–	–	–	–	9,697	–	9,697	(2,789)	6,908
Exchange differences on translating foreign operation	–	–	–	–	275	–	–	–	275	–	275
Change in fair value of available-for-sale investment *(note 8(b)(iii))*	–	–	–	–	–	(4,629)	–	–	(4,629)	–	(4,629)
Reclassified to profit or loss for impairment loss on available-for-sale investment	–	–	–	–	–	4,629	–	–	4,629	–	4,629
Total comprehensive income for the year	–	–	–	–	275	–	9,697	–	9,972	(2,789)	7,183
2012 Dividend paid	–	–	–	–	–	–	–	(24,950)	(24,950)	–	(24,950)
Capital contribution by non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	1	1
Transfer to statutory reserve	–	–	–	46	–	–	(46)	–	–	–	–
Balance at 31 December 2013 and 1 January 2014	83,165	22,175	116,659	12,031	589	–	104,781	–	339,400	(2,953)	336,447
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(86,363)**	**–**	**(86,363)**	**(8,538)**	**(94,901)**
Exchange differences on translating foreign operation	**–**	**–**	**–**	**–**	**(390)**	**–**	**–**	**–**	**(390)**	**–**	**(390)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(390)**	**–**	**(86,363)**	**–**	**(86,753)**	**(8,538)**	**(95,291)**
Transfer to statutory reserve	**–**	**–**	**–**	**393**	**–**	**–**	**(393)**	**–**	**–**	**–**	**–**
Balance at 31 December 2014	**83,165**	**22,175**	**116,659**	**12,424**	**199**	**–**	**18,025**	**–**	**252,647**	**(11,491)**	**241,156**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Cash flows from operating activities		
(Loss)/profit before income tax expense	**(89,593)**	16,076
Adjustments for:		
Bank interest income	**(351)**	(513)
Interest expenses	**13,327**	6,593
Depreciation of property, plant and equipment	**1,921**	1,363
Fair value change of financial liabilities at fair value through profit or loss	**(5,000)**	5,000
Investment income	**(3,849)**	–
Impairment loss on available-for-sale investment	**–**	4,629
Loss on disposal/dissolution of available-for-sale investments	**42,666**	–
Impairment loss on deposit paid	**–**	7,890
Bad debts written off	**21,778**	–
Provision for impairment of accounts receivables	**–**	9,695
Other receivables and deposit written off	**530**	5
Loss on disposal of property, plant and equipment	**881**	–
Operating profit before working capital changes	**(17,690)**	50,738
Decrease in loan and accounts receivables	**18,705**	99,926
Increase in deposits, prepayments and other receivables	**(5,393)**	(5,035)
Decrease in receipt in advance, accruals and other payables	**(2,941)**	(1,896)
Cash (used in)/generated from operations	**(7,319)**	143,733
Income tax paid	**(12,681)**	(5,792)
Net cash (used in)/generated from operating activities	**(20,000)**	137,941
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,555)**	(5,463)
Purchase of held-to-maturity investments	**–**	(19,999)
Purchase of available-for-sale investments	**(20,274)**	(109,000)
Proceeds from redemption of available-for-sale investments	**3,000**	4,200
Proceeds from redemption of held-to-maturity investment	**2,000**	–
Decrease/(increase) in deposit paid	**15,000**	(86,200)
Interest received	**3,242**	513
Net cash generated from/(used in) investing activities	**1,413**	(215,949)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Cash flows from financing activities		
Capital contribution from non-controlling interests	–	1
Decrease in amounts due to non-controlling interests	(253)	(480)
Increase in amount due from a shareholder	(24)	–
Dividends paid	–	(24,915)
Interest paid	(9,706)	(5,178)
Proceeds from issue of corporate bonds	–	93,500
Redemption of corporate bonds	(30,000)	–
Net cash (used in)/generated from financing activities	(39,983)	62,928
Net decrease in cash and cash equivalents	(58,570)	(15,080)
Cash and cash equivalents at beginning of the year	125,794	141,417
Effect of foreign exchange rates, net	306	(543)
Cash and cash equivalents at end of the year	67,530	125,794

1. GENERAL

Flying Financial Service Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2011. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business of the Company is located at Room 801A and 807B, 8/F., Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 7 May 2012.

The Group, comprising the Company and its subsidiaries, currently engages in provision of pawn loans, entrusted loans, finance lease services, other loans and financial consultancy services. The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in the note 27.

In the opinion of the directors of the Company ("Directors"), the immediate and ultimate holding company of the Company is Ming Cheng Investments Limited, a limited liability company incorporated in the British Virgin Islands ("BVI").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

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. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

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

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

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

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 1 – Disclosure Initiative

The amendments provide additional guidance to assist the entities in applying judgment when meeting the presentation and disclosure requirements. These amendments do not affect recognition and measurement. They should not result in reassessment of the judgments about presentation and disclosure made in periods prior to the application of these amendments.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs on the financial statements of the Group in the initial application but is not yet in a position to state whether they will have a material impact on the results and the financial position of the Group.

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The Directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial assets and liabilities which are measured at fair value and non-current assets classified as held for sale which are measured at the lower of carrying value and fair value less costs of disposal as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) 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, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

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

Office building	The shorter of the lease terms and 20 years
Leasehold improvement	Over the leases term but not exceeding 5 years
Furniture, fixtures and office equipment	3 years
Motor vehicles	5 years

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

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

(d) Financial Instruments

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

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

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments (Continued)

(i) Financial assets (Continued)

Held-to-maturity investments

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

Available-for-sale investments

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

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

(ii) Impairment loss on financial assets

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

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

For loans and receivables or held-to-maturity investments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For available-for-sale investments

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

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

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

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

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

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

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

The related interest expense is recognised in profit or loss.

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

(iv) Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

(v) Effective interest method

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

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

(f) Revenue Recognition

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

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

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

Investment income is recognised when the right to receive the income is established.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income taxes

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

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

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

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

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

(h) Foreign currency

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Employee benefits

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes 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 People's Republic of China (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.

(j) Impairment of other assets

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

- property, plant and equipment;

- investments in subsidiaries.

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

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

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions and contingent liabilities

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

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

(m) Leasing

Leases are classified as finance leases whenever the terms of the leaser 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 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.

(n) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Related parties (Continued)

(b) (Continued)

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

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

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

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

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.

(o) Share capital

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

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

(p) 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.

(q) 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

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

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

(a) Critical judgments in applying accounting policies

(i) Held-to-maturity investments

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

(ii) Subsidiary

Pursuant to a group reorganisation (the "Reorganisation") carried out by the Group to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM of the Hong Kong Stock Exchange, the Company became the holding company of the subsidiaries comprising the Group. The contractual arrangements under the Reorganisation ("Contractual Arrangements") enable the Company to exercise control over Guangdong Hui Jin Dian Dang Investment Holding Limited ("Guangdong Huijin"), a joint-stock limited company incorporated in the PRC.

The Contractual Arrangements were entered into in order for the Group to manage and operate the business of Guangdong Huijin in the PRC, under which Flying Investment Services (Shenzhen) Company Limited ("Flying Investment") is exposed, has rights, to variable returns from its involvement with Guangdong Huijin. Flying Investment, one of the subsidiaries of the Company, has the ability to affect those returns through its power over Guangdong Huijin, and the variable return are transferred to Flying Investment by means of management and consultation fees payable by Guangdong Huijin to Flying Investment. Further details of the Contractual Arrangements are set out in the paragraph headed "Structure Agreements" to the prospectus of the Company dated 20 April 2012 in connection with the listing.

Accordingly, Guangdong Huijin is accounted for as a subsidiary as a consequence of the Contractual Agreements. Significant judgments have been exercised by management in assessing and concluding Guangdong Huijin as a subsidiary of the Group.

(iii) Income tax

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

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

(b) The key sources of estimation uncertainty

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

(i) Impairment of receivables

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

(ii) Impairment of non-financial assets

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

(iii) Stage of completion of consultancy services

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

(iv) Determination of active market

HKFRS 13 defines that an active market as one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Management has to assess whether the market for the financial instruments is active or not in order to determine the fair value of the financial instruments.

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

(b) The key sources of estimation uncertainty (Continued)

(v) Impairment of available-for-sale debt investments

For available-for-sale debt investments, judgment is required when determining whether there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about loss events as mentioned in note 4(d)(ii).

When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the profit or loss. At 31 December 2014, impairment loss of nil have been recognised for available-for-sale investment (2013: RMB4,629,000) (note 8(b)(iii)). The carrying amount of available-for-sale investments was RMB22,000,000 (2013: RMB106,371,000) (note 17).

(vi) Fair value measurement

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy")

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures certain financial instruments (note 17) at fair value. For more detailed information in relation to the fair value measurement, please refer to the applicable notes.

6. SEGMENT INFORMATION

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

The Group has two reportable segments. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

6. SEGMENT INFORMATION (Continued)

Segment information about reportable segments:

	Pawn loan services RMB'000	Financial consultancy, entrusted loan and finance lease services RMB'000	Total RMB'000
For the year ended 31 December 2014			
Revenue from external customers	213	31,840	32,053
Reportable segment loss	(4,099)	(29,490)	(33,589)
Other income or (loss)	140	(22,244)	(22,104)
Finance costs	–	–	–
Depreciation	451	1,274	1,725
Income tax expense	–	5,330	5,330
Additions to non-current assets	119	1,433	1,552
As at 31 December 2014			
Reportable segment assets	7,747	162,311	170,058
Reportable segment liabilities	102	4,551	4,653
For the year ended 31 December 2013			
Revenue from external customers	4,604	103,376	107,980
Reportable segment (loss)/profit *(note)*	(2,964)	53,838	50,874
Other income or (loss) *(note)*	86	(9,370)	(9,284)
Finance costs	–	–	–
Depreciation	655	462	1,117
Income tax (credit)/expense	(1,176)	10,322	9,146
Additions to non-current assets	3,206	1,128	4,334
As at 31 December 2013			
Reportable segment assets	5,320	207,738	213,058
Reportable segment liabilities	301	13,395	13,696

6. SEGMENT INFORMATION (Continued)

	2014 RMB'000	2013 RMB'000
Revenue		
Revenue from external customers	**32,053**	107,980
Profit before income tax expense		
Reportable segment (loss)/profit *(note)*	**(33,589)**	50,874
Fair value change of financial liabilities at fair value through profit or loss *(note)*	**5,000**	(5,000)
Investment income *(note)*	**3,849**	691
Impairment loss on available-for-sale investment *(note)*	**–**	(4,629)
Loss on disposal/dissolution of available-for-sale investments	**(42,666)**	–
Impairment loss on deposit paid *(note)*	**–**	(7,890)
Depreciation *(note)*	**(196)**	(246)
Finance costs	**(13,327)**	(6,593)
Unallocated corporate expenses *(note)*	**(8,664)**	(11,131)
Consolidated (loss)/profit before income tax expense	**(89,593)**	16,076
Assets		
Reportable segment assets	**170,058**	213,058
Held-to-maturity investments	**22,957**	23,999
Available-for-sale investments	**22,000**	106,371
Deposit paid *(note)*	**63,309**	78,310
Non-current assets classified as held for sale	**47,938**	–
Unallocated corporate assets *(note)*	**4,133**	46,023
Consolidated total assets	**330,395**	467,761
Liabilities		
Reportable segment liabilities	**4,653**	13,696
Current tax liabilities	**14,329**	21,616
Deferred tax liabilities	**–**	22
Corporate bonds payable *(note)*	**68,332**	94,078
Unallocated corporate liabilities *(note)*	**1,925**	1,902
Consolidated total liabilities	**89,239**	131,314

Note: Certain financial information in 2013 has been restated to conform with the presentation in 2014.

6. SEGMENT INFORMATION (Continued)

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 Hong Kong and the PRC.

	Revenue from external customers 2014 RMB'000	Revenue from external customers 2013 RMB'000
Hong Kong (place of domicile)	**14,112**	67,095
The PRC	**17,941**	40,762
Macau	**–**	123
	32,053	107,980

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

	2014 RMB'000	2013 RMB'000
Customer A	**9,464**	14,301
Customer B	**–**	13,931
Customer C	**7,346**	–
Customer D	**4,833**	N/A
Customer E	**4,015**	N/A

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

7. REVENUE

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

	2014 RMB'000	2013 RMB'000
Interest income	**7,573**	27,406
Consultancy service income	**24,045**	80,574
Finance lease service income	**435**	–
	32,053	107,980

8. OTHER (LOSS) OR INCOME

	Notes	2014 RMB'000	2013 RMB'000
Bank interest income		**351**	513
Fair value change of financial liabilities at fair value through profit or loss		**5,000**	(5,000)
Investment income	*(a)*	**3,849**	691
Impairment loss on available-for-sale investment	*(b)(iii)*	**–**	(4,629)
Loss on disposal/dissolution of available-for-sale investments	*(b)*	**(42,666)**	–
Impairment loss on deposit paid	*(c)*	**–**	(7,890)
Bad debts written off	*19*	**(21,778)**	–
Provision for impairment of accounts receivable	*19*	**–**	(9,695)
Other receivables and deposit written off		**–**	(5)
Loss on disposal of property, plant and equipment		**(881)**	–
Other expense		**(20)**	–
Other income		**1,024**	2
		(55,121)	(26,013)

(a) Investment income included interest income from available-for-sale investments during the year ended 31 December 2014.

(b) The loss is in respect of certain available-for-sale investments acquired in prior years and disposed of or whose terms expired during the year.

(i) One of the limited partnerships the Group invested during the year ended 31 December 2013 with an investment cost of RMB500,000 disposed of its major underlying assets during the year ended 31 December 2014. This limited partnership had significant net liabilities as it made losses on its investments and incurred daily operation costs in the normal course of business. Under the partnership agreement, the Group had the obligation to bear the liabilities of the limited partnership. As a result, the Group had to contribute RMB20,274,000 to settle the liabilities of the limited partnership. Accordingly, a loss on dissolution of RMB20,774,000 (being the investment cost of RMB500,000 and the additional contribution of RMB20,274,000) was recognised in profit or loss during the year. The limited partnership is currently in the process of deregistration.

(ii) During the year ended 31 December 2014, the Group suffered a loss on available-for-sale investment of RMB18,021,000 as further described in note 17(a).

(iii) During the year ended 31 December 2013, the Group acquired an interest in a trust at a consideration of RMB7,500,000. Income from the trust after payments of guaranteed return to other category of trust holders and direct expenses of the trust would accrue to the Group. Since there was a significant decline in fair value of the trust, the Group recognised a fair value loss of RMB4,629,000 in other comprehensive income which was reclassified to profit or loss during the year ended 31 December 2013. The balance of the investment cost of RMB2,871,000 was written off to profit or loss during year ended 31 December 2014 following the expiration of trust on 24 May 2014.

In additional to losing its entire investment, the Group also had to bear additional losses of the trust of RMB9,513,000. As at 31 December 2014, the Group included this amount in other receivables (note 20(b)) as a company in which one of the directors was a former director of the Company has guaranteed losses of the Group in excess of the consideration paid. The amount was settled in full in January 2015.

8. OTHER (LOSS) OR INCOME (Continued)

(b) (Continued)

(iv) During the year ended 31 December 2013, the Group invested in a trust at a consideration of RMB10,000,000. The trust was incorporated in the PRC with expected return of 10.9% per annum for two years. The investment was sold to an independent third party during the year ended 31 December 2014, resulting in a loss on disposal of RMB1,000,000.

(c) During the year ended 31 December 2013, the Group entered into an agreement to acquire the entire equity interests in certain companies of a group at a consideration of HK$20,410,000 and paid a deposit of HK$10,000,000 (equivalent to approximately RMB7,890,000) to the vendor. However, the Group decided not to proceed with the acquisition and considered that the deposit paid to be irrecoverable. Therefore, a full impairment of the deposit paid was recognised in the profit or loss for the year ended 31 December 2013. In the opinion of the Directors, taking account of the opinion of the legal adviser, no further provision is considered necessary for not completing acquisition.

9. FINANCE COSTS

	2014 **RMB'000**	2013 RMB'000
Interest charged on financial liabilities carried at amortised cost		
Corporate bonds *(note 24)*	**13,327**	6,593

10. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/profit before income tax expense is arrived at after charging:

	2014 **RMB'000**	2013 RMB'000
Auditor's remuneration		
– Current year	**633**	513
– Under provision in prior year	**494**	72
Depreciation of property, plant and equipment	**1,921**	1,363
Other receivables and deposit written off	**530**	5
Employee benefit expenses (including Directors' remuneration) *(note 11)*		
Salaries and wages	**16,675**	17,392
Pension scheme contributions – Defined contribution plans	**2,266**	2,152
	18,941	19,544
Operating lease charges in respect of properties	**10,764**	9,843

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2014				
Executive directors:				
Mr. Zheng Weijing	**–**	**392**	**–**	**392**
Mr. Li Zhongyu *(note a)*	**–**	**334**	**–**	**334**
Mr. Peng Zuohao *(note a)*	**–**	**487**	**–**	**487**
	–	**1,213**	**–**	**1,213**
Independent non-executive directors:				
Mr. Vincent Cheng	**95**	**9**	**–**	**104**
Mr. Leung Po Hon *(note b)*	**36**	**1**	**–**	**37**
Mr. Zhang Gongjun	**95**	**9**	**–**	**104**
Mr. Lu Quanzhang *(note c)*	**59**	**8**	**–**	**67**
	285	**27**	**–**	**312**
Total	**285**	**1,240**	**–**	**1,525**
Year ended 31 December 2013				
Executive directors:				
Mr. Zheng Weijing	–	391	–	391
Mr. Li Zhongyu	–	391	–	391
Mr. Peng Zuohao	–	569	–	569
	–	1,351	–	1,351
Independent non-executive directors:				
Mr. Vincent Cheng	103	–	–	103
Mr. Zhang Gongjun	103	–	–	103
Mr. Lu Quanzhang *(note c)*	103	–	–	103
	309	–	–	309
Total	309	1,351	–	1,660

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

(a) Directors' remuneration (Continued)

Notes:

(a) Mr. Li Zhongyu and Mr. Peng Zuohao resigned as executive directors of the Company on 4 November 2014.

(b) Mr. Leung Po Hon was appointed as an independent non-executive director of the Company on 15 August 2014.

(c) Mr. Lu Quanzhang resigned as an independent non-executive director of the Company on 15 August 2014.

(b) Five highest paid individuals

The five highest paid individuals of the Group included two (2013: one) directors for the year ended 31 December 2014.

The analysis of the emolument of the remaining three (2013: four) highest paid individuals were as below:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	**1,469**	2,554
Pension scheme contributions	**46**	59
	1,515	2,613

Their emoluments were within the following bands:

	2014 No. of individuals	2013 No. of individuals
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**–**	1

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

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

	2014 No. of individuals	2013 No. of individuals
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**–**	1

12. INCOME TAX EXPENSE AND DEFERRED TAX ASSET/(LIABILITY)

	2014 RMB'000	2013 RMB'000
Hong Kong Profits Tax		
– Current year	1,888	8,386
PRC Enterprise Income Tax		
– Current year	725	1,737
– Under/(over)-provision in respect of prior years	2,717	(1,091)
	5,330	9,032
Deferred tax	(22)	136
	5,308	9,168

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

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

Enterprise income tax ("EIT") arising from the PRC for the year was calculated at 25% (2013: 25%) of the estimated assessable profits of subsidiaries operating in the PRC during the year. According to the EIT law, the taxable income of an enterprise shall be the total revenue of such enterprise, deducted by any non-assessable revenue, exempted revenue, other deductions and amount of offsetting any accumulated losses.

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

	2014 RMB'000	2013 RMB'000
(Loss)/profit before income tax expense	(89,593)	16,076
Tax calculated at the domestic tax rate of 25% (2013: 25%)	(22,398)	4,019
Effect of difference tax rates of subsidiaries operating in other jurisdictions	824	(2,561)
Tax effect of non-deductible expenses	771	2,336
Tax effect of non-taxable income	(17)	–
Tax effect of tax losses not recognised	29,855	5,470
Tax effect of deductible temporary differences not recognised	(5,963)	1,006
Under/(over)-provision in respect of prior years	2,717	(1,091)
Utilisation of tax losses previously not recognised	(481)	–
Others	–	(11)
Income tax expense	5,308	9,168

12. INCOME TAX EXPENSE AND DEFERRED TAX ASSET/(LIABILITY) (Continued)

	2014 RMB'000	2013 RMB'000
Deferred tax (liability)/asset		
As at 31 December 2013 and 1 January 2014	**(22)**	114
Current year	**22**	(136)
As at 31 December 2014	**–**	(22)

As at 31 December 2014, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised is approximately RMB19,825,000 (2013: RMB28,695,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group has accumulated tax losses arising in Hong Kong and the PRC of approximately RMB28,289,000 (2013: RMB11,548,000) and RMB124,734,000 (2013: RMB16,363,000) respectively. Deferred tax assets have not been recognised in respect of these losses as it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The tax loss can be carried forward with a maximum period of five years in the PRC while the tax loss in Hong Kong can be carried forward indefinitely.

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the loss attributable to owners of the Company, a loss of approximately RMB17,836,000 (2013: RMB18,235,000) has been dealt with in the financial statements of the Company.

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculations of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB86,363,000 (2013: profit of RMB9,697,000) and the weighted average number of 1,020,555,000 (2013: 1,020,555,000) ordinary shares during the year.

(b) Diluted (loss)/earnings per share

There were no potential ordinary shares in issue for the years ended 31 December 2014 and 2013. Accordingly, the diluted (loss)/earnings per share presented is the same as basic (loss)/earnings per share for both years.

15. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Office building RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and-office equipment RMB'000	Motor-vehicles RMB'000	Total RMB'000
Cost:					
At 1 January 2013	–	1,078	1,422	342	2,842
Additions	3,200	785	1,478	–	5,463
Exchange realignment	–	(16)	(1)	(11)	(28)
At 31 December 2013 and 1 January 2014	3,200	1,847	2,899	331	8,277
Additions	100	1,092	363	–	1,555
Disposals	–	(1,545)	–	–	(1,545)
Exchange realignment	–	3	1	2	6
At 31 December 2014	3,300	1,397	3,263	333	8,293
Accumulated depreciation:					
At 1 January 2013	–	538	482	17	1,037
Charge for the year	–	701	596	66	1,363
Exchange realignment	–	(8)	(1)	–	(9)
At 31 December 2013 and 1 January 2014	–	1,231	1,077	83	2,391
Charge for the year	165	709	981	66	1,921
Eliminated on disposals	–	(664)	–	–	(664)
Exchange realignment	–	3	–	1	4
At 31 December 2014	165	1,279	2,058	150	3,652
Net carrying amount:					
At 31 December 2014	3,135	118	1,205	183	4,641
At 31 December 2013	3,200	616	1,822	248	5,886

The Group's office building was purchased from Mr. Peng Zuohao, the former executive director of the Company, which is located in the PRC with lease term expired in 2051.

16. HELD-TO-MATURITY INVESTMENTS – GROUP

	2014 RMB'000	2013 RMB'000
Held-to-maturity investments	**22,957**	23,999
Less: Non-current portion	**(20,957)**	(21,999)
Current portion	**2,000**	2,000

At 31 December 2014, the Group had certain held-to-maturity investments which bore fixed interest rates ranging from 7.92% to 11% (2013: 7.92% to 11%) per annum and had maturities ranging from one to five years (2013: one to six years).

17. AVAILABLE-FOR-SALE INVESTMENTS – GROUP

	2014 RMB'000	2013 RMB'000
Unlisted debt securities, at fair value	**22,000**	106,371
Less: Non-current portion	**–**	(10,000)
Current portion	**22,000**	96,371

Available-for-sale investments, which are debt securities and stated at fair value, as at 31 December 2014 and 2013 mainly consisted of the followings:

(a) investment of approximately RMB22,000,000 (2013: RMB90,000,000) is an income receivable right on a limited partnership which was incorporated in the PRC for 36 months (2013: 12 months). The main activity of the limited partnership was investment in obtaining income receivable rights on three other limited partnerships. These underlying partnerships are principally engaged in entrusted loan business in the PRC. As further described below, the Directors assessed that the settlement of the available-for-sale investment will be completed within one year and therefore have classified the available-for-sale investment as a current asset as at 31 December 2014.

In assessing the returns on the investment, the Directors assessed the expected income from the loans in the underlying partnerships. The underlying partnerships granted the entrusted loan of RMB68 million and RMB22 million to two independent third parties respectively during the year ended 31 December 2013. Details of these loans are set out below:

17. AVAILABLE-FOR-SALE INVESTMENTS – GROUP (Continued)

(a) (Continued)

(i) Entrusted loan of RMB68 million

During the year ended 31 December 2013, notwithstanding that the collaterals ("Collaterals") to a bank of certain entrusted loans amount to RMB90 million granted to an independent third party (the "Borrower") (comprising entrusted loan of RMB71 million granted by the underlying partnerships (out of which RMB68 million was contributed by the Group through the underlying partnerships and RMB3 million was contributed by some minority investors) and entrusted loan of RMB19 million granted by the Group directly as included in the entrusted loan receivables in note 19), was filed to the relevant PRC authorities, the relevant PRC authorities issued a notice revoking such filing because the original filing contained information which was not correct. Based on the notice, the Collaterals had been sold prior to the filing of such pledge.

As a result, the Group applied to the PRC court to seal up certain other properties of the Borrower for a period of approximately 2 years. The seal up was confirmed by the PRC court during the year ended 31 December 2013. As the value of the securities obtained exceeded the value of the entrusted loan, the Group concluded that the entrusted loans granted by the underlying partnerships and directly by the Group were full recoverable as at 31 December 2013.

After the seal up, the local government participated in assisting settlements of the affected parties under this event. According to the minutes from the local government, a debt restructuring exercise was conducted in early 2014 such that the estimated proceeds from the exercise will be used to settle the principal loan amounts outstanding to 4 financial institutions, including the bank entrusted by the underlying partnerships and the Group.

In September 2014, with the assistance from the local government, the Group and the underlying partnerships entered into a settlement agreement with the Borrower pursuant to which (1) the Borrower agreed to settle entrusted loans amounted to RMB71 million granted by the underlying partnerships and entrusted loan amounted to RMB19 million granted directly by the Group in form of cash of RMB15,000,000 and properties with fair value of RMB73,751,000 based on a valuation performed by a PRC valuer appointed by the local government; and (2) the Group and the underlying partnerships agreed to release all seal up on the above-mentioned properties of the Borrower. Subsequently, the Group and the underlying partnerships entered into a supplementary agreement in which the beneficial interests of each party in respect of the cash and properties settlement are clarified, with the Group directly entitled to a substantial portion of the beneficial interests. The cash and properties settlement is therefore accounted for as realisation of the available-for-sale investment mentioned in this sub-note (i.e. note 17(a)(i)). In the opinion of the Directors, since the Group has control over the disposition of the properties and is entitled to a substantial portion of the proceeds from the sale of the properties, the Group shall recognise the properties as assets and the settlement accruing to minority investors as liabilities.

The Group has appointed an independent valuer to perform the valuation on the properties and the fair value of the properties based on which is approximately RMB47,938,000, net of estimated cost of disposal. This amount has been allocated as to RMB37,818,000 attributed to the entrusted loan of RMB71 million granted by the underlying partnerships (out of which RMB36,220,000 is attributed to the RMB68 million contributed by the Group through the underlying partnerships and RMB1,598,000 is attributed to the RMB3 million contributed by the minority investors) and RMB10,120,000 attributed to the entrusted loan of RMB19 million granted by the Group directly as included in the entrusted loan receivables in note 19. The cash settlement of RMB15,000,000 was subsequently received in January 2015.

As the aggregate of the fair value of the cash and properties for settlement is RMB23,734,000 below the carrying value of the entrusted loans granted by the underlying partnerships and by the Group, a loss of RMB18,021,000 is allocated to the available-for-sale investment and recognised in profit and loss, and a loss of RMB5,713,000 is allocated to entrusted loan receivable granted directly by the Group which has been written off as bad debt during the year ended 31 December 2014.

17. AVAILABLE-FOR-SALE INVESTMENTS – GROUP (Continued)

(a) (Continued)

(ii) Entrusted loan of RMB22 million

During the year ended 31 December 2013, an entrusted loan amounted to RMB27 million was granted by one of the underlying partnerships to an independent third party out of which RMB22 million was contributed by the Group through the underlying partnership. The underlying partnership held a collateral on the entrusted loan in form of property as at 31 December 2013.

During the year ended 31 December 2014, the ownership of the entrusted loan was transferred to an independent third party, and the principal was fully received by the underlying partnership together with the interest income. The Directors expect the Group shall receive the settlement in full in 2015.

(b) During the year ended 31 December 2013, the Group invested in a private placement bond, trusts and limited partnerships at an accumulated investment cost of RMB16,371,000. These investments were redeemed, disposed of, or realised on expiration or dissolution during the year ended 31 December 2014. The loss on the available-for-sale investments arising from the above events is disclosed in note 8(b)(i), (iii) and (iv).

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As further described in note 17(a)(i), the Group obtained certain properties through realisation of available-for-sale investment. The properties were classified as non-current assets held for sale as the Group intended to dispose of them within 12 months from end of the reporting period was carried at fair value less cost of disposal as at 31 December 2014.

Analysis of the properties by valuation method is as follow:

Fair value hierarchy

Description	Fair value measurements at 31 December 2014 Significant unobservable inputs (Level 3) RMB'000
Non-recurring fair value measurements	
Non-current assets classified as held for sale:	
Properties	**47,938**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy level as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Fair value hierarchy (Continued)

The fair value of properties is a level 3 non-recurring fair value measurements using significant unobservable inputs. A reconciliation of the opening and closing balance is provided below:

	2014 RMB'000	2013 RMB'000
Properties		
At 1 January	–	–
Addition	47,938	–
At 31 December	47,938	–

The value of properties classified as held for sale is determined using a market comparative approach and less cost of disposal. The fair value of properties classified held for sale was based on the prices of recent market transactions in similar properties and adjusted to reflect the conditions and locations of the Group's properties. The significant input of this valuation approach is the price per square meter, which has been adjusted to reflect market conditions at the time the transactions took place, the location, size and floor level of the properties.

Information about fair value measurements using significant unobservable inputs (Level 3) is provided below:

	Valuation technique	Significant unobservable input	Range (Probability weighted average)	Sensitivity of the input to fair value
Properties classified as held for sale	Market comparison approach	Price per square meter ("sq.m") using market direct comparable which has adjusted to reflect the time of transactions took place, the location, size and floor level	RMB2,795/sq.m– RMB52,010/sq.m (RMB7,479/sq.m)	Higher the price per sq.m will result in correspondingly higher fair value

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the properties' highest and best use, which does not differ from their actual use.

19. LOAN AND ACCOUNTS RECEIVABLES – GROUP

	2014 RMB'000	2013 RMB'000
Pawn loan receivables, net	**2,930**	–
Entrusted loan receivables, net	**12,838**	118,695
Consultancy fee receivables, net	**12,218**	9,527
Interest receivables, net	**1,664**	726
Finance lease receivable	**19,000**	–
Other loan receivable	**20,000**	–
	68,650	128,948
Less: Impairment loss	**–**	(9,695)
Loan and accounts receivables, net	**68,650**	119,253
Less: Entrusted loan receivables, non-current portion	**(9,671)**	–
Current portion	**58,979**	119,253

For pawn loan receivables, customers are obliged to settle the amounts according to the terms set out in relevant contracts, with an option to renew the loan granted for a period up to 183 days. Interest rates offered are based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The pawn loan receivables charged interests at effective interest rates ranging from 1.5% to 2.86% (2013: 2.8% to 3.0%) per month as at 31 December 2014 and the maturity date for each loan contract is not more than 183 days.

Entrusted loan receivables represent loans to customers through certain banks in the PRC. In an entrusted loan arrangement, the Group entered into a loan agreement with the customer and bank. The customer repaid the loan to the bank and then the bank returned the principal and accrued interests to the Group. While the bank exercises supervision over and receives repayment from the borrower, the bank does not assume any risk of default by the borrower. The effective interest payable on entrusted loan receivables ranged from 0.48% to 1.8% (2013: ranged from 1.80% to 1.86%) per month as at 31 December 2014. In particular, during the year ended 31 December 2014, the Group granted four entrusted loans of approximately RMB9,671,000 to the borrowers. An independent third party guaranteed these entrusted loans with a maturity date of five years.

19. LOAN AND ACCOUNT RECEIVABLES – GROUP (Continued)

During the year ended 31 December 2013, the Group granted an entrusted loan of approximately RMB19,000,000 to the Borrower as disclosed in note 17(a)(i). Based on the allocation agreement pursuant to the settlement agreement entered into as disclosed in note 17(a)(i), the aggregate of the fair value of cash and properties allocated to the entrusted loan only amounted to RMB13,287,000 which represents the recoverable amount of the entrusted loan. The recoverable amount is recorded as non-current assets classified as held for sale of RMB10,120,000 (value of the properties attributed to the entrusted loan) and RMB3,167,000 as loan and accounts receivables. The shortfall of RMB5,713,000 was written off as a bad debt during the year ended 31 December 2014.

The collateral of the entrusted loan of RMB19,000,000 was revoked by the relevant PRC authorities during the year ended 31 December 2013 as disclosed in note 17(a)(i), and under the settlement agreement entered into in September 2014, the Group has control over the disposition of the properties of the settlement of this entrusted loan and the entrusted loan of RMB71 million referred to in note 17(a)(i). Accordingly, the Group did not hold any property as collaterals as at 31 December 2014 and 2013 and no properties were included in the summary of collateral as shown in the table below.

For consultancy fee receivables, customers are obliged to settle the amounts according to the terms set out in relevant contracts and with no credit period. During the year ended 31 December 2013, the Group provided certain consultancy services to the Borrower referred to in note 17(a)(i) which resulted in a consultancy fee receivable of approximately RMB9,695,000. After considering the position as disclosed in note 17(a), a full provision on the impairment loss was made during the year ended 31 December 2013.

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

For finance lease receivable, customers are obligated to settle the amounts according to the terms set out in relevant contracts and must acquire the leased assets at the end of the lease period. The interest rate was 11% per annum as at 31 December 2014 and the lease period is 12 months. No credit period was granted to customers.

Other loan receivable represents the ownership of an entrusted loan of RMB 20,000,000 the Group acquired during the year. The entrusted loan is secured by the collateral in the form of a property.

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

	2014 RMB'000	2013 RMB'000
0 to 30 days	**7,931**	67,429
31 to 90 days	**23,763**	–
91 to 180 days	**–**	–
Over 180 days	**36,956**	51,824
	68,650	119,253

19. LOAN AND ACCOUNT RECEIVABLES – GROUP (Continued)

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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**39,381**	119,253
0 to 30 days past due	**–**	–
31 to 90 days past due	**–**	–
91 to 180 days past due	**21,782**	–
Over 180 days past due	**7,487**	–
	68,650	119,253

The Group's loan and accounts receivables relate to a large number of diversified customers and there is no significant concentration of credit risk. Impairment losses in respect of loan and accounts receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan and accounts receivables directly. Based on this assessment, impairment loss of nil (2013: RMB9,695,000) has been determined as individually impaired. The movement in the allowance for impairment of loan and accounts receivables is as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	**9,695**	–
Impairment loss recognised	**–**	9,695
Bad debts written off	**(9,695)**	–
At 31 December	**–**	9,695

Bad debts of RMB21,778,000 were charged to profit or loss during the year ended 31 December 2014 (2013: nil) for loan and accounts receivables which comprised RMB15,940,000 caused by the bankruptcy of a borrower. Bad debts of RMB5,713,000 in respect of the entrusted loan RMB19,000,000 as described in note 17(a) and the corresponding interest thereon of RMB125,000.

The Group holds collaterals over the loan and accounts receivables and the bank holds certain collaterals over the entrusted loan receivables on behalf of the Group. At the end of each reporting date, the fair value of the pledged assets whereby the Group is permitted to sell or repledge in the absence of the default by the owners of the collaterals in respect of all loan and accounts receivables is as follows:

	2014 RMB'000	2013 RMB'000
Equities	**4,900**	405,925
Properties (including construction in progress)	**–**	167,750
At 31 December	**4,900**	573,675

As at 31 December 2014, finance lease receivables in respect of certain machinery are effectively secured by the underlying assets as the rights to the machinery will revert to the Group in the event of default.

20. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES – GROUP

	2014 RMB'000	2013 RMB'000
Deposits paid *(note a)*	**65,302**	80,384
Prepayments	**758**	1,908
Other receivables *(note b)*	**30,594**	4,166
	96,654	86,458
Less: Deposit paid, non-current portion	**–**	(78,310)
Current portion	**96,654**	8,148

Note:

(a) On 5 September 2013, the Group entered into an equity transfer agreement ("ETA") with an independent third party (the "ETA Vendor"). Pursuant to the ETA, the Group would acquire 1.119% equity interests ("Interest") of China Railway Trust Co., Limited (中鐵信託有限責任公司) ("China Railway") at a consideration of approximately RMB78,310,000.

China Railway is a non-listed company engaged in the business of management of different kind of trusts (e.g. fund trust, estate trust, real estate trust, securities trust, investments funds etc.), investment banking, provision of intermediary, credit investigation, guarantee, money lending and other financial services as well as other business approved under the relevant laws and regulations of the PRC. The immediate holding company of China Railway is China Railway Group Limited whose shares are dually listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. As at 31 December 2013, the Group had paid as deposit the full amount of the consideration.

The registration of the share interest had not been yet completed as at 31 December 2013 because the change in shareholder of China Railway needs to be approved by the board of directors of China Railway. Pursuant to the ETA, the parties thereto agreed that, in the event the transfer and registration of the Interest has not been completed within 165 business days (i.e. by 29 May 2014) from the Full Payment Date (i.e. 25 September 2013), the ETA would cease and terminate, and in such event, the ETA Vendor would refund the consideration paid by the Group.

As the transfer procedure had not been completed by 29 May 2014 (as required under the ETA), the parties thereto agreed to enter into a Termination Agreement to terminate the ETA on 30 May 2014. The Group received a partial refund of the deposit of RMB15,000,000 during the year and the balance of the deposit was fully refunded in January 2015.

As at 31 December 2014, deposit paid also comprised rental and various deposits amounting to RMB1,992,000.

(b) Main item of other receivables as at 31 December 2014 included (i) consideration of RMB9,000,000 on the disposal of available-for-sale investment to an independent third party as disclosed in note 8(b)(iv); (ii) guarantee of RMB9,513,000 from a company in which Mr. Li Zhongyu, a former director of the Company, is a director as disclosed in note 8(b)(iii); and (iii) cash settlement of RMB11,333,000 and RMB500,000 as described in note 17(a)(i) which was subsequently received in January 2015.

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES/NON-CONTROLLING INTERESTS/ SHAREHOLDER – GROUP AND COMPANY

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

22. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

Cash and cash equivalents represented cash in hand and bank balance. As at 31 December 2014, the Group and the Company had cash and cash equivalents denominated in RMB amounting to approximately RMB61,202,000 and RMB96,000 (2013: RMB113,924,000 and RMB9,246,000) respectively, and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

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

	2014 RMB'000	2013 RMB'000
Receipt in advance	**4**	3,680
Accruals	**934**	3,982
Other payables *(note a)*	**4,066**	1,110
	5,004	8,772

Note:

(a) The amount included deposit of RMB1,000,000 (2013: Nil) received from a finance lease customer as at 31 December 2014.

24. CORPORATE BONDS PAYABLE – GROUP AND COMPANY

	As at 31 December RMB'000
Balance as at 1 January 2013:	–
Issue of corporate bonds	93,500
Imputed interest expenses	6,593
Finance costs paid	(5,178)
Exchange alignment	(837)
Balance as at 31 December 2013 and 1 January 2014	94,078
Redemption on 30 September 2014	(30,000)
Imputed interest expenses	13,327
Finance costs paid	(9,706)
Exchange alignment	633
Balance as at 31 December 2014	68,332

The Company issued RMB100,000,000 corporate bonds in two tranches on 28 May 2013 and 12 August 2013, which bore interest at the rate of 10.5% per annum payable semi-annually in arrears on 30 June and 31 December in each year. The maturity date will be the date falling on the 24 months of the date of issue. The corporate bonds contain a liability component and do not have any early redemption option elements and equity component. The net proceed from the issue of the corporate bonds after discount and total direct transaction costs of RMB6,500,000 was approximately RMB93,500,000.

On 10 September 2014, the Company announced to partially redeem the principal amount of RMB30,000,000 of the corporate bonds at the redemption price equal to 100%of the outstanding principal amount thereof plus accrued and unpaid interest as of the date on which the corporate bonds are redeemed by giving notice. The partial redemption was completed on 30 September 2014.

The corporate bonds payable is measured at amortised cost using effective interest rate of 14.48% (2013: 14.35%) per annum at the end of reporting period and imputed interest expenses of RMB13,327,000 was incurred in the current year (2013: RMB6,593,000).

25. SHARE CAPITAL

	2014 Number of ordinary shares '000	2014 Amount RMB'000	2013 Number of ordinary shares '000	2013 Amount RMB'000
Authorised:				
Ordinary share of HK$0.1 each				
At 1 January and 31 December	**5,000,000**	**407,450**	5,000,000	407,450
Issued and fully paid:				
Ordinary share of HK$0.1 each				
At 1 January and 31 December	**1,020,555**	**83,165**	1,020,555	83,165

26. RESERVES

(a) Group

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

(b) Company

	Share Premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Dividend proposed RMB'000	Total RMB'000
At 31 December 2012 and 1 January 2013	22,175	(29)	(7,891)	24,950	39,205
2012 dividend paid	–	–	–	(24,950)	(24,950)
Loss for the year	–	–	(18,235)	–	(18,235)
Exchange difference translating foreign operation	–	(3,145)	–	–	(3,145)
Total comprehensive income for the year	–	(3,145)	(18,235)	–	(21,380)
At 31 December 2013 and 1 January 2014	22,175	(3,174)	(26,126)	–	(7,125)
Loss for the year	–	–	(63,956)	–	(63,956)
Exchange difference translating foreign operation	–	292	–	–	292
Total comprehensive income for the year	–	292	(63,956)	–	(63,664)
At 31 December 2014	22,175	(2,882)	(90,082)	–	(70,789)

26. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Merger reserve

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

(iii) 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.

(iv) Exchange reserve

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

(v) Available-for-sale investment valuation reserve

The available-for-sale investment valuation reserve arose as a result of recognising fair value change of financial assets classified as available-for-sale at fair value.

(vi) Retained earnings/(accumulated losses)

The amount represents accumulative net gains and losses recognised in profit or loss.

(vii) Dividend proposed

At a meeting hold on 19 March 2013, the Directors recommended a final dividend of HK3 cents per ordinary share, amount approximately to RMB24,950,000 (equivalent to approximately HK$30,617,000) for the year ended 31 December 2012, and the proposal was submitted for formal approval by the shareholders at the annual general meeting held on 30 April 2013. This final dividend was reflected as an appropriation of share premium for the year ended 31 December 2013. No dividend was proposed for the year ended 31 December 2014.

27. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2014 **RMB'000**	2013 RMB'000
Unlisted shares, at cost	**2**	2

27. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment	Place of operation and principal activity	Description of fully paid up share capital/ registered capital held	Percentage of ownership interests/ voting rights/ profit share directly	Indirectly
Limited Liability Company					
Expand Wealth Limited	BVI	Investment holding and provision of loan services in the PRC	1 share US$1	100%	–
Sunny Sino Holdings Limited	Hong Kong	Investment holding and provision for financial consultancy services in the PRC	1 share HK$1	–	100%
Flying Investment	PRC	Provision of financial consultancy and entrusted loan services in the PRC	HK$50,000,000	–	100%
Junhao Group Limited	Hong Kong	Investment holding in Hong Kong	6,000 shares HK$1 each	–	60%
Zhuhai Hengain Flying Wealth Management Limited	PRC	Provision of financial consultancy services in the PRC	1,512,673 shares HK$1 each	–	100%
Qianhai Flying Financial PRC Service (Shenzhen) Limited	PRC	Provision of financial consultancy services in the PRC	HK$30,000,000	–	100%
Meizhou Xixin Business Information Consulting Co., Limited	PRC	Investment holding in the PRC	HK$3,489,900	–	100%
Chengtai Group Limited	Hong Kong	Investment holding in Hong Kong	5,800 shares HK$1 each	–	58%
Joint-stock Limited Company					
Guangdong Huijin	PRC	Provision of pawn loan services in the PRC	RMB101,000,000	–	100%*
Zhongxi Rongzi Zulin (Shanghai) Limited	PRC	Provision of finance lease services	RMB20,000,000	–	100%

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

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

* Guangdong Huijin is accounted for as subsidiary through certain contractual arrangements. Please refer to note 5(a)(ii) for details.

28. NON-CONTROLLING INTERESTS – GROUP

Junhao Group Limited and Chengtai Group Limited, a 60% and 58% owned subsidiary of the Group respectively, have material non-controlling interests ("NCI"). All other NCI of non-wholly owned subsidiaries are considered as immaterial.

Summarised financial information in relation to the NCI of Junhao Group Limited, before intra-group eliminations, is presented below:

	2014 RMB'000	2013 RMB'000
For the year ended 31 December		
Revenue	**5,900**	386
Profit/(loss) for the year	**1,924**	(5,381)
Total comprehensive income	**1,924**	(5,381)
Profit/(loss) allocated to NCI	**769**	(2,153)
For the year ended 31 December		
Cash inflows/(outflows) from operating activities	**3,088**	(5,793)
Cash outflows from financing activities	**(470)**	–

	2014 RMB'000	2013 RMB'000
As at 31 December		
Current assets	**3,087**	3,390
Non-current assets	**2,325**	2,671
Current liabilities	**(6,630)**	(9,199)
Net liabilities	**(1,218)**	(3,138)

28. NON-CONTROLLING INTERESTS – GROUP (Continued)

Summarised financial information in relation to the NCI of Chengtai Group Limited, before intra- group eliminations, is presented below:

	2014 RMB'000	2013 RMB'000
For the year ended 31 December		
Revenue	**–**	–
Loss for the year	**(21,976)**	(1,382)
Total comprehensive income	**(21,976)**	(1,382)
Loss allocated to NCI	**(9,230)**	(580)
For the year ended 31 December		
Cash outflows from operating activities	**(1,265)**	(1,167)
Cash inflows/(outflows) from financing activities	**210**	(420)

	2014 RMB'000	2013 RMB'000
As at 31 December		
Current assets	**318**	1,213
Non-current assets	**3,342**	3,471
Current liabilities	**(24,167)**	(3,197)
Net liabilities	**(20,507)**	1,487

29. COMMITMENTS – GROUP AND COMPANY

(i) Operating lease commitments

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

	2014 RMB'000	2013 RMB'000
Within one year	**2,213**	4,326
Within two to five years	**–**	787
	2,213	5,113

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

29. COMMITMENTS – GROUP AND COMPANY (Continued)

(ii) Capital commitments

	2014 RMB'000	2013 RMB'000
Commitments for the acquisition of property, plant and equipment:		
Contracted, but not provide for	-	156

30. RELATED PARTIES DISCLOSURE

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

(i) Rental expenses

	2014 RMB'000	2013 RMB'000
Rental expenses paid to a director	–	96
Property purchased from a director	–	3,200

The terms of the above transactions are mutually agreed by the Group and the director.

(ii) Related party guarantee

During the year ended 31 December 2013, the Group received a financial guarantee on an available-for-sale investment from a related party, of which Mr. Li Zhongyu was the common director. An amount of RMB9,360,000 was received by the Group in respect of the guarantee (see note 8(b)(iii)). Mr. Li resigned as the director of the Company on 4 November 2014.

(iii) Compensation of key management personnel

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

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

Group

	2014 RMB'000	2013 RMB'000
Financial assets		
Held-to-maturity investments	22,957	23,999
Available-for-sale investments at fair value	22,000	106,371
Loans and receivables		
Loan and accounts receivables	68,650	119,253
Other receivables and deposits paid	95,896	84,550
Amount due from a shareholder	24	–
Amount due from non-controlling interest	1	–
Cash and cash equivalents	67,530	125,794
	277,058	459,967
Financial liabilities		
Financial liabilities measured at amortised cost		
Accruals and other payables	5,000	5,092
Amounts due to non-controlling interests	1,539	1,791
Dividend payable	35	35
Corporate bonds payable	68,332	94,078
Financial liabilities at fair value through profit or loss		
Designated upon initial recognition	–	5,000
	74,906	105,996

Company

	2014 RMB'000	2013 RMB'000
Financial assets		
Amounts due from subsidiaries	90,157	163,606
Amount due from a shareholder	24	–
Other receivables	1	–
Cash and cash equivalents	542	9,513
	90,724	173,119
Financial liabilities measured at amortised cost		
Accruals	254	325
Amounts due to subsidiaries	9,729	2,791
Dividend payable	35	35
Corporate bonds payable	68,332	94,078
	78,350	97,229

32. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise held-to-maturity investments, available-for-sale investments, loan and accounts receivables, other receivables and deposits paid, investments, cash and cash equivalents, accruals and other payables, amounts due from/to subsidiaries, shareholder and non-controlling interests and corporate bonds payables. These financial instruments mainly arise from its operations.

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

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of 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 means the risk on the fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate.

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

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

Foreign currency risk

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

32. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

The Group's investments are unlisted debt securities held for strategic purposes. Credit risk refers to issuers to these financial instruments would fail to discharge their obligations under the terms which lead to a financial loss to the Group. The Group monitors the financial status and credit rating of individual issuers by reviewing the financial information provided by issuers on a regular basis. Please refer to notes 16 and 17 for the details of Group's investments.

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. The Group holds collaterals directly or indirectly to cover its risks associated with loan and accounts receivables.

All collaterals of loan receivables other than entrusted loan receivables were held directly by the Group. For entrusted loan receivables, the Group holds collaterals of the customers directly or indirectly through banks. In case of default, the banks would assist the Group in recovering the loans. 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 collaterals.

As at 31 December 2014, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group's exposure under outstanding loan receivables are secured by the pledged assets of the customers as disclosed in note 19.

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

32. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000
Group					
At 31 December 2014					
Non-derivatives:					
Accruals and other payables	5,000	5,000	–	5,000	–
Amounts due to non-controlling interests	1,539	1,539	1,539	–	–
Dividend payable	35	35	–	35	–
Corporate bonds payable	68,332	75,439	–	75,439	–
	74,906	82,013	1,539	80,474	–
At 31 December 2013					
Non-derivatives:					
Accruals and other payables	5,092	5,092	–	5,092	–
Amounts due to non-controlling interests	1,791	1,791	1,791	–	–
Dividend payable	35	35	–	35	–
Corporate bonds payable	94,078	120,883	–	13,735	107,148
	100,996	127,801	1,791	18,862	107,148
Derivatives					
Financial liabilities at fair value through profit or loss	5,000	–	–	–	–
Company					
At 31 December 2014					
Non-derivatives:					
Accruals	254	254	–	254	–
Amounts due to subsidiaries	9,729	9,729	9,729	–	–
Dividend payable	35	35	–	35	–
Corporate bonds payable	68,332	75,439	–	75,439	–
	78,350	85,457	9,729	75,728	–
At 31 December 2013					
Non-derivatives:					
Accruals	325	325	–	325	–
Amounts due to subsidiaries	2,791	2,791	2,791	–	–
Dividend payable	35	35	–	35	–
Corporate bonds payable	94,078	120,883	–	13,735	107,148
	97,229	124,034	2,791	14,095	107,148

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments				
– Debts securities-unlisted	**22,000**	106,371	**22,000**	106,371
Financial liabilities				
Financial liabilities at fair value				
through profit or loss	–	5,000	–	5,000

Management has assessed that the fair values of its financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's risk control team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The risk control team reports directly to the chief financial officer and the audit committee. At each reporting date, the risk control team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of debt securities have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market price or rates. The valuation requires the Directors to make estimates about the expected future cash flows including expected proceeds on subsequent disposal of the debt securities.

The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation technique	Significant unobservable input	Range	Sensitivity of the input to fair value
Debt securities – unlisted	Discounted cash flow method	Short term interest rate for cash flow	2014: 13.5% (2013: 8.5% to 12.7%)	An increase in the short term interest rate will result in a decrease in the fair value of the unlisted debt securities and vice versa.

There is no change in the valuation technique during the years ended 31 December 2014 and 2013.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2014				
Available-for-sale investment:				
Debt securities – unlisted	–	–	22,000	22,000
As at 31 December 2013				
Available-for-sale investments:				
Debt securities – unlisted	2,000	–	104,371	106,371

Liabilities measured at fair value:

Group

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2014				
Financial liabilities at fair value through profit or loss	–	–	–	–
As at 31 December 2013				
Financial liabilities at fair value through profit or loss	–	–	5,000	5,000

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value: (Continued)

Group (Continued)

The movements in fair value measurements in Level 3 during the year are as follow:

	2014 RMB'000	2013 RMB'000
Available-for-sale investments – unlisted debt securities		
At 1 January	104,371	–
Addition	20,274	109,000
Loss recognised in profit or loss *(note 8)*	(42,666)	(4,629)
Investment income as part of repayment	(2,425)	–
Disposal *(note 8(b)(iv))*	(10,000)	–
Settlement *(note 17(a)(i))*	(47,554)	–
At 31 December	22,000	104,371

	2014 RMB'000	2013 RMB'000
Fair value change of financial liabilities at fair value through profit or loss		
At 1 January	5,000	–
Addition	–	5,000
Fair value change of financial liabilities at fair value through profit or loss	(5,000)	–
At 31 December	–	5,000

The Company does not have any financial assets and financial liabilities measured at fair value as at 31 December 2014 and 2013.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: nil).

34. CAPITAL RISK MANAGEMENT

The Group's capital management objectives include:

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

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

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

34. CAPITAL RISK MANAGEMENT (Continued)

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

Management regards total equity as capital. The amount of capital as at 31 December 2014 amounted to approximately RMB241,156,000 (2013: RMB336,447,000), which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

35. EVENT AFTER THE REPORTING PERIOD

(a) In January 2015, the Group entered into 4 income receivable right transfer agreements for the transfer of the income receivable right on a trust, an entrusted loan, other receivable and an equity interest with 4 independent parties. The consideration is RMB20 million on each of the transfer agreements and all of them will expire in 140 days. The Group will receive the consideration paid of RMB20,000,000 and a fixed return at an amount between RMB730,000 to RMB790,000 from each of the 4 independent parties on expiration date.

(b) On 17 February 2015, the Group as the purchaser entered into a share purchase agreement with an independent third party (the "Vendor"). Pursuant to the agreement, the Group conditionally agreed to acquire from the Vendor and the Vendor conditionally agreed to sell 51% of the issued share capital of Profit Success Technology Limited, which will indirectly hold the entire interest in Shenzhen Yongxin Electric Commerce Company Limited (the "Project Company") at a total cash consideration of RMB70,500,000 (equivalent to approximately HK$87,420,000).

The Project Company is principally engaged in the business of development of the computer software to transact commercial and financing activities via the internet through an online financing platform named Huilicai (匯聯財) and the provision of financing under other contractual arrangements. Based on the information currently available, the share purchase agreement is subject to various conditions which have not yet been fulfilled as of the date of approval of these financial statement.

36. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2015.

FINANCIAL SUMMARY

A summary of the Group's results for the last five financial years and the assets and liabilities of the Group as at 31 December 2014, 2013, 2012, 2011 and 2010, as extracted from the published audited financial statements for the year ended 31 December 2014, 2013 and 2012 and the Company's listing prospectus dated 20 April 2012 is set out below. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	2014 **RMB'000**	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**32,053**	107,980	94,630	86,799	46,766
Other (loss) or income	**(55,121)**	(26,013)	413	172	127
Employee benefit expenses	**(18,941)**	(19,544)	(9,625)	(3,858)	(1,356)
Administrative expenses	**(34,257)**	(39,754)	(26,657)	(16,199)	(4,033)
Finance costs	**(13,327)**	(6,593)	(54)	(468)	(220)
(Loss)/profit before income tax expense	**(89,593)**	16,076	58,707	66,446	41,284
Income tax expense	**(5,308)**	(9,168)	(17,470)	(17,949)	(10,269)
(Loss)/profit for the year	**(94,901)**	6,908	41,237	48,497	31,015
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translating foreign operation	**(390)**	275	84	230	–
– Change in fair value of available-for-sale investment	**–**	(4,629)	–	–	–
– Reclassified to profit or loss for impairment loss on available-for-sale investment	**–**	4,629	–	–	–
Total comprehensive income for the year	**(95,291)**	7,183	41,321	48,727	31,015
(Loss)/profit for the year attributable to:					
Owners of the Company	**(86,363)**	9,697	41,409	48,497	31,015
Non-controlling interests	**(8,538)**	(2,789)	(172)	–	–
	(94,901)	6,908	41,237	48,497	31,015
Total comprehensive income for the year attributable to:					
Owners of the Company	**(86,753)**	9,972	41,493	48,727	31,015
Non-controlling interests	**(8,538)**	(2,789)	(172)	–	–
	(95,291)	7,183	41,321	48,727	31,015
ASSETS AND LIABILITIES					
Total assets	**330,395**	467,761	385,528	217,374	170,034
Total liabilities	**(89,239)**	(131,314)	(31,315)	(34,778)	(15,965)
Net assets	**241,156**	336,447	354,213	182,596	154,069