Differ Group Holding Company Limited
鼎豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6878

Annual Report 2015

CONTENTS

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTORS:

Mr. CAI Jianfeng
Mr. WU Qinghan

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

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

Room 1602, Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

COMPANY SECRETARY

TAM Wai Tak Victor

COMPLIANCE OFFICER

CAI Huatan

COMPLIANCE ADVISER

Messis Capital Limited

AUDITOR

BDO Limited

AUTHORISED REPRESENTATIVES

HONG Mingxian
TAM Wai Tak Victor

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

06878

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income from financial related services	**162,150**	118,091	76,066	56,416	21,244
Income from disposal of distressed assets	**21,000**	–	–	–	–
Other income	**4,432**	4,664	5,260	3,224	2,059
Employee benefit expenses	**(12,966)**	(9,867)	(7,739)	(5,287)	(3,362)
Depreciation and amortisation expenses	**(2,603)**	(1,860)	(2,006)	(1,817)	(825)
Operating lease expenses	**(1,357)**	(807)	(326)	(313)	(900)
Other expenses	**(24,531)**	(11,439)	(15,056)	(10,050)	(4,269)
Finance costs	**(3,641)**	–	–	(526)	(229)
Profit before income tax	**142,484**	98,782	56,199	41,647	13,718
Income tax expense	**(36,960)**	(25,769)	(15,963)	(10,409)	(3,667)
Profit for the year	**105,524**	73,013	40,236	31,238	10,051
Attributable to:					
Owners of the Company	**103,788**	73,013	40,236	31,238	10,051
Non-controlling interests	**1,736**	–	–	–	–
	105,524	73,013	40,236	31,238	10,051

ASSETS AND LIABILITIES

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,576,685**	651,855	549,156	352,900	289,431
Total liabilities	**(578,846)**	(71,307)	(41,345)	(40,520)	(16,510)
Non-controlling interests	**(96,044)**	–	–	–	–
Equity attributable to the owners of the Company	**901,795**	580,548	507,811	312,380	272,921

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of Differ Group Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

The year 2015 was a challenging year for the Chinese economy as the country has undergone transformation from being production- and investment-driven to a consumer- and services-driven economy. Investor confidence has been affected, leading to increased market volatility. The transformation has created good opportunities for our business and has marked another milestone on the Group's remarkable growth.

In the capital markets, the shares of the Company have been successfully transferred from GEM Board to the Main Board of the Stock Exchange on 6 July 2015 (stock code: 6878). The Company was included as a constituent stock of the MSCI China Small Cap Index in late May 2015. It was also selected as a constituent of the Hang Seng Global Composite Index and Hang Seng Composite Index Series (including the Hang Seng Composite Index, Hang Seng Composite Industry Index – Financials, Hang Seng MidCap & SmallCap Index and Hang Seng SmallCap Index) since 14 March 2016. In October 2015, the Company has completed the first share placement and a total of 42,000,000 placing shares were issued. The net proceeds of approximately HK$152.9 million are to be used for the business development. In December 2015, the shares of the Company were formally subdivided into four shares and the subdivided shares were traded in board lots of 2,000 shares to enhance liquidity, attract more investors and broaden the shareholders' base.

The Group's outstanding performance and its leading position in the financial sector were recognised by a number of awards and accolades received during the year. It ranked 11th in Forbes "China's Top 100 Most Promising Listed Companies 2015," the highest in the consumer credit sector; garnered the "Best Finance Corporation Award (Greater China) at the Metro Awards for Banking & Finance Corporation 2015; and was honoured with the "Gold Award" for the National Top Ten Financial Platform Assisting in the Growth of SMEs 2015 organized by Jingji Magazine.

During the year under review, the Group has achieved a record high turnover of approximately RMB183.2 million, representing a tremendous growth of approximately 55.1% as compared with last year. The increased turnover and profit are primarily attributable to the remarkable business growth of financial consultation income from financial service and entrusted loan interest income from express loan service.

In response to different market dynamics and national policies in China, the Group has actively developed new businesses. With an increasing demand from commercial banks to manage their distressed loan portfolio and the on-going balance sheet de-leveraging undertaken by urban and rural commercial banks and credit union, the Group has commenced its asset management business in January 2015 in order to capture the opportunities presented by the abundant supply of distressed assets in Fujian province. During the year, the Group has acquired five distressed assets. Two of them have been disposed and the Group recorded a remarkable profit from the disposals.

On the other hand, the acquisition of the Jiashi International Financial Limited (formerly known as Jiashi Development Limited) and its subsidiaries (collectively "Jiashi Group"), one of the leading private-owned finance lease company in Fujian province was completed in late October 2015 (the "Acquisition"). Premier Li Keqiang reaffirmed the encouragement of the finance lease industry during the National Congress held in August 2015. As a result, the Acquisition is expected to add momentum to the Group's existing finance lease business through Jiashi Group's extensive network and experience in the distant marine fisheries industry, agricultural drones, tourism and car leasing to individuals. The banking relationship realised though this Acquisition can also assist the Group to leverage its overall loan portfolio going forward and generate higher returns.

Going forward, we believe that the commencement of the distressed assets management business and the Acquisition will strengthen the Group's leading position in the finance service business in Fujian province, further diversity the Group's business portfolio and broaden our customer base. We will continue to establish close cooperative relationships with financial institutions and banks, capture the enormous opportunities brought by supportive national policies, the "One Belt One Road" initiative, the Fujian Free Trade Zone and 13th Five Year Plan as we strive to become the preferred choice as a comprehensive short-to-medium term financing solution provider to SMEs.

Finally, on behalf of the Board, I would like to take this opportunity to extend my gratitude to all shareholders, investors, customers and business partners for their strong and continuous support to our Group. I would also like to express our sincere appreciation to the management team and all members of staff of the Group for their dedicated effort and contributions to our on-going success.

EXECUTIVE DIRECTORS

Mr. HONG Mingxian (洪明顯), aged 41, was appointed as our executive Director on 4 December 2012. Mr. Hong is the chairman of our Company and the spouse of Ms. Shi Hongjiao (one of the controlling shareholders of the Company). Mr. Hong is responsible for the overall strategic formulation, management and planning of our Group.

Mr. Hong attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in July 2004. Mr. Hong is a founder chairman of Capital Association of Fujian Chamber of Commerce (福建閩商資本聯合會), the founding chairman of Xiamen City Quanzhou Chamber of Commerce (廈門市泉州商會), the honorary chairman of Fujian Youth Entrepreneurship Promotion Association (福建青年創業促進會), the vice chairman of Xiamen City Siming District Federation of Industry and Commerce (Chamber of Commerce) (廈門市工商聯(總商會)) and the managing vice chairman of Economic Promotion Association for Overseas Chinese with Hometown in Xiamen (廈門市僑鄉經濟促進會).

Mr. Hong has about 8 years' experience in corporate management before he joined the Group in September 2008. From August 2007 and September 2009, Mr. Hong worked at a property development company based in Jiangsu Province, PRC and last held the position of executive director.

Mr. NG Chi Chung (吳志忠), aged 43, was appointed as an executive Director on 26 November 2013. Mr. Ng is the chief executive officer of our Company. Mr. Ng is responsible for the overall business development and management of our Group. Mr. Ng attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in January 2008. Mr. Ng has previously worked at various companies in Hong Kong and Shishi, Fujian Province, and has over 10 years' experience in corporate management. From 2002 to 2008, Mr. Ng was a member of the senior management of a vehicle trading company based in Shishi. Mr. Ng joined the Group in September 2008.

Mr. CAI Huatan (蔡華談), aged 56, was appointed as an executive Director on 26 November 2013. Mr. Cai is the honorary chairman of our Company. He is also responsible for overall expanding strategy formulation of our Group. Mr. Cai graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in 1996. Before he joined the Group in September 2008, Mr. Cai has approximately 30 years of experience in management and public administration. From 1980 to 2005, Mr. Cai worked for various departments of the governments of Shishi and Quanzhou.

NON-EXECUTIVE DIRECTORS

Mr. CAI Jianfeng (蔡劍鋒), aged 48, was appointed as a non-executive director on 26 November 2013. Mr. Cai Jianfeng has over 15 years of experience in the manufacturing industry. He has been a vice-chairman of Shishi Lingxiu General Chamber of Commerce (石獅市靈秀商會) since 2005. Mr. Cai Jianfeng is also a member of the Chinese People Political Consultative Committee of Shishi City (石獅市政治協商會議). Mr. Cai Jianfeng is a brother-in-law of Mr. Cai Huatan.

Mr. WU Qinghan (吳清函), aged 52, was appointed as a non-executive director on 26 November 2013. Mr. Wu has over 25 years experience in trading and manufacturing. He has been the chairman of a manufacturing company in Shishi since 2000. He has been the chairman of Shishi Lingxiu General Chamber of Commerce (石獅市靈秀商會) since 2005. Mr. Wu was a director of a group company from April 2010 to May 2012 and a director of another group company from July 2009 to January 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZENG Haisheng (曾海聲), aged 57, was appointed as an independent non-executive director on 26 November 2013. Mr. Zeng graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in October 1996. Since 2006, Mr. Zeng has been the chairman of an investment company in Xiamen.

Mr. TSANG Hin Man Terence (曾憲文), aged 53, was appointed as an independent non-executive Director on 26 November 2013. Mr. Tsang was admitted as a solicitor in Hong Kong since 1993 and he is currently the sole proprietor of Tsang & Co., H.M.. Mr. Tsang obtained a bachelor's degree in science from the University College London, the University of London in 1986. He also holds a bachelor's degree in law from the Polytechnic of Central London (now known as the University of Westminster) London. Other than his directorship in the Company, Mr. Tsang is currently an independent non-executive director of Lee & Man Handbags Holding Limited (Stock code: 1488) and China Investment and Finance Group Limited (Stock code: 1226). He is also a non-executive director of Winto Group (Holdings) Limited (Stock code: 8238).

Mr. CHAN Sing Nun (陳星能), aged 41, joined the Group as an independent non-executive Director on 26 November 2013. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Chan has over 15 years' experience in auditing, accounting and financial management. Mr. Chan currently is the principal of an audit firm in Hong Kong.

SENIOR MANAGEMENT

Mr. CAI Xiacheng (蔡廈程), aged 33, is the chief operations officer in finance lease business and is responsible for the overall finance lease business management of our Group. He is also the director of certain subsidiaries of finance lease business of the Group. Mr. Cai had about 5 years of experience in the finance industry before he joined our Group in February 2012. He is the son-in-law of Mr. Cai Huatan.

Mr. LIU Zhenrui (柳振瑞), aged 48, is the vice president of the Group and is responsible for the overall business risk management of the Group. Mr. Liu obtained an executive master in business administration in July 2006 from Xiamen University (廈門大學). Before joining our Group in June 2015, from August 1988 to July 2001, he served as a business section chief and subsequently promoted to branch manager in Pingxiang City, Jiangxi province branch of Bank of China and was responsible for development of credit business and risk management. From August 2001 to July 2010, he was responsible for credit risk management in the headquarter of Bank of Quanzhou. From July 2010 to January 2015, he was employed as general manager in Minshang Capital Company Limited.

Ms. NI Yu (倪瑜), aged 37, has been the associate president of the Group since July 2015, and is responsible for the financial management, internal audit and financial service business of the Group. Ms. Ni graduated from Shanghai International Business and Economics University in July 2002, and obtained a bachelor's degree in economics. She graduated from University of Birmingham in December 2003 with a master's degree in Accounting & Finance. She was admitted as a member of the Association of Chartered Certified Accountants in December 2008. In December 2013, she was admitted as a fellow of the Association of Chartered Certified Accountants.

From November 2005 to October 2007, Ms. Ni served as an auditor at Ernst & Young Huaming Certified Public Accountants. She worked for L'OREAL China Co., Ltd as the corporate controller in the corporate finance department from November 2007 to April 2010. She was a deputy investment director of Xiamen Hengxing from April 2010 to July 2012, the finance director of Xiamen Hengxing from August 2012 to July 2014, and a director of Jinchuan Mining from September 2012 to July 2014. She was associate Procurement to Payment director of Anheuser-Busch InBev (Xiamen) Management & Operation Co., Ltd from September 2014 to June 2015.

Mr. CHENG Yun Chung RONIE (鄭潤聰), aged 43, is the manager in charge of corporate finance and fund raising activities within the Group. Graduated from University of Warwick, Mr. Cheng is a fellow member of the Institute of Chartered Accountant of England and Wales with over 20 years of experience in the financial industries with experience spanning from auditing to private equity fund to listed companies.

Mr. TAM Wai Tak Victor (譚偉德), aged 38, is the financial controller and company secretary of our Group. Mr. Tam joined our Group in late January 2013. He is also the director of certain subsidiaries of finance lease business of the Group. He is responsible for financial reporting and company secretarial matters of our Group. Mr. Tam graduated with a bachelor of arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

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

BUSINESS REVIEW

As an integrated financing service provider, the Group mainly provides short to medium-term financing and financing-related solutions in Fujian Province. During the year ended 31 December 2015, the turnover was mainly derived from the provision of (i) guarantee services, (ii) express loan services (including pawn loan, entrusted loan and money lending services), (iii) financial services (previously known as financial consultation services), (iv) finance lease services and (v) asset management service (previously known as distressed asset management business). The Management decided to rename and group certain services to better reflect the nature of each of the services provided. It should also enable more appropriate understanding of each of the services by our customers and shareholders.

FINANCIAL REVIEW

Turnover

The turnover increased from approximately RMB118.1 million for the year ended 31 December 2014 to approximately RMB183.2 million for the year ended 31 December 2015, representing an increase of approximately RMB65.1 million or 55.1%. The increase was attributable to the net effect of the following reasons:

Guarantee services

We mainly provided the financial guarantee services during the years ended 31 December 2014 and 2015. Our Group's guarantee services income slightly increased by 5.2% from approximately RMB15.7 million for the year ended 31 December 2014 to approximately RMB16.6 million for the year ended 31 December 2015. Our Group continued to expand our financial guarantee services in our home market in Fujian Province.

Express loan services

Pawn loan services

Our Group's pawn loan services income decreased by 5.7% from approximately RMB14.8 million for the year ended 31 December 2014 to approximately RMB14.0 million for the year ended 31 December 2015. The decrease in pawn loan services income was mainly due to decrease of average pawn loan receivables during the year ended 31 December 2015.

Entrusted loan services

In light of the growth of the PRC economy and strong demand for financing services to small and medium enterprises ("SMEs"), the Group continued to expand the entrusted loan business in the PRC. By using of part of the proceeds from the Subscription (as defined below) in October 2015, it allows the Group to grant more entrusted loans to customers and thereby generated more entrusted loan interest income.

Our Group's entrusted loan service income increased by 29.2% from approximately RMB39.1 million for the year ended 31 December 2014 to RMB50.5 million for the year ended 31 December 2015. The increase of entrusted loan service income was mainly due to the (i) the increase of outstanding entrusted loan receivables from approximately RMB196.0 million as at 31 December 2014 to RMB371.8 million as at 31 December 2015 and (ii) total amount of new or renewed entrusted loans granted increased from approximately RMB489.0 million for the year ended 31 December 2014 to RMB591.8 million for the year ended 31 December 2015.

Money lending services

The Group commenced its Hong Kong money lending business in August 2015. During the year ended 31 December 2015, the Group has recorded the income of approximately RMB2.0 million in relation to such business. Besides, the Group has also provided short-term financing to certain customers in the PRC and recorded the interest income of approximately RMB0.9 million.

Financial services (previously known as financial consultation services)

During the year 2015, we have continued to put effort to expand our financial services business as the Directors believe that there were plenty of business opportunities. In view of the tight credit environment in the PRC banking sector, more customers have sought our Group's financial services in assisting them in obtaining financing from PRC banks and in some circumstances when our loan book was full, we referred our customers to our peer companies. As such, we mainly focused on the financial services which charge our customers based on certain percentage of the amount of financing obtained by the customers as a result of our consultation.

The financial services income of our Group increased sharply from approximately RMB37.2 million for the year ended 31 December 2014 to RMB56.8 million for the year ended 31 December 2015. During the year ended 31 December 2015, we had successfully assisted our customers in obtaining financing from banks of over RMB2.0 billion in total, representing an increase of approximately RMB600 million as compared with the corresponding period of last year. The increase in financial services income was mainly due to the fact that we had assisted our customers in obtaining more financing from banks and peer companies.

Finance lease services

During the year ended 31 December 2015, the Group further developed its finance lease business. The acquisition of the Jiashi Group is completed in late October 2015 (the "Acquisition"). Jiashi Group is principally engaged in finance lease business. Through the Acquisition, the Group can achieve the synergy effect and capture the great business opportunities of finance lease industry in Fujian Province in future. Jiashi Group has a special focus in the agricultural and fishery industries which are supported heavily by the central government. These industries provide a relatively safe loan exposures to our Group especially under this unstable market condition.

Our Group's finance lease services income increased by 90.5% from approximately RMB11.3 million for the year ended 31 December 2014 to RMB21.5 million for the year ended 31 December 2015. The increase of finance lease service income was mainly due to the finance lease services income from the Jiashi Group has been consolidated into the Group after the date of the Acquisition.

Asset management services (previously known as distressed asset management services)

The Group commenced its asset management business in January 2015. During the year ended 31 December 2015, the Group has acquired five distressed assets. Two of distressed assets (of which the Group's acquisition cost were RMB50 million) have been disposed and the Group recorded the profit from disposal of distressed assets of approximately RMB21 million.

Other income

Other income decreased from approximately RMB4.7 million for the year ended 31 December 2014 to approximately RMB4.4 million for the year ended 31 December 2015, representing a decrease of approximately RMB0.3 million or 5.0%. Our Group's other income mainly represented the bank interest income and the government grant. The decrease in other income was mainly due to the fact that we have received less government grant during the year ended 31 December 2015.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB9.9 million for the year ended 31 December 2014 to approximately RMB13.0 million for the year ended 31 December 2015, representing an increase of approximately RMB3.1 million or 31.4%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase of staff salaries as a result of completion of the Acquisition. Besides, our Group hired more staff for business expansion.

Other expenses

The other expenses increased from approximately RMB11.4 million for the year ended 31 December 2014 to approximately RMB24.5 million for the year ended 31 December 2015, representing an increase of approximately RMB13.1 million or 114.5%. The increase in other expenses was mainly attributable to (i) increase of business and other taxes due to the increase in revenue generated from our business; (ii) increase of legal and professional fee due to the transfer of listing to Main Board and the Acquisition; and (iii) increase of provision of bad debts of approximately RMB6.7 million.

Profit for the year attributable to the owners of the Company

Our Group's profit for the year attributable to the owners of the Company was approximately RMB103.8 million for the year ended 31 December 2015, representing an increase of approximately RMB30.8 million, or 42.2%, from approximately RMB73.0 million for the year ended 31 December 2014.

OUTLOOK

The Group has successfully transferred its listing from GEM to the Main Board of the Stock Exchange under the new stock code 6878 on 6 July 2015. We believe that transferring to the Main Board can strengthen the Group's growth momentum, increase the flexibility of business and help to enhance our corporate image and share liquidity.

In addition, the Group commenced its asset management business in January 2015. The Group actively seeks opportunities to acquire value asset (such as non-performing loan receivables or other distressed debts) from banks or other entities in Fujian province at attractive prices. After acquiring the value assets, the Group will assume the pre-existing rights and obligations between the banks and the debtors and will then formulate plans to achieve recovery based on the Group's targets on profit, cash flow, cost and return on investment as well as the circumstances pertaining to each individual asset.

We consider that there is plenty of room for the development of the finance leasing business in the Fujian Province, the PRC. The launch of the free-trade zone in Fujian and with the issue of policies on "One Belt One Road" and the National 13th Five-Year Plan will lead to substantial business opportunities in the finance lease industry. As a result of the Acquisition, the Group will expand its financing leasing to cover more industries, from the current manufacturing and transportation engineering industries to the distant marine fisheries, tourism, agricultural drones industries and car leasing to individuals. Through the Acquisition, the Group can enlarge the scope of finance lease business quickly. More importantly, the banking relationship of Jiashi Group will help the Group to leverage its overall loan portfolio in the future.

During the year, a total of 42,000,000 placing shares (before subdivision each issued and unissued share of HK$0.01 each into four subdivided shares of HK$0.0025 each, "Share Subdivision") were successfully placed to not less than six independent placees (the "Subscription"). The net proceeds from the Subscription of approximately HK$152.9 million was utilized for the Group's business development including, in particular, (i) for lending to the Group's customers and acquisition of the value assets in the ordinary and usual course of the Group's business; and (ii) general working capital of the Group.

The Group adopted a flexible and robust business model which can easily and swiftly adapt to the fast changing economic environment which is becoming more visible in the PRC today. The change in the PRC economy via the reduction of excess capacity, the new 13th Five Year Plan and the "One Belt One Road" initiative will bring about challenges as well as opportunities to SMEs. The Directors are already preparing the Group to assist its customers to capture these opportunities and face these challenges.

In conclusion, our Directors have an optimistic view on our overall business and financial prospects in future.

ADVANCE TO AN ENTITY

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligations arises where an advance to an entity from the Group exceeds 8% of the total assets of the Group. Pursuant to Rule 13.13 of the Listing Rules, details of advances as defined under Rule 13.15 of the Listing Rules which remained outstanding as at 31 December 2015 were as follow:

(1) Entrusted Loan Agreements with Customer A ("Entrusted Loan Agreement")

Entrusted Loan Agreement was granted by 廈門市鼎豐創業投資有限公司 (Xiamen Differ Venture Capital Company Limited) ("Differ VC"), an indirect wholly-owned subsidiary of the Company to 廈門豪豐投資有限公司 (Xiamen Hao Feng Investment Company Limited) ("Customer A") through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB111,800,000 for the purpose of lending the same to Customer A for a term of 12 months.

The principal terms of Entrusted Loan Agreement are as follows:

Outstanding principal amount:	RMB111.8 million
Interest rate:	17.0% per annum
Loan period:	From 26 October 2015 to 25 October 2016
Repayment:	the Customer A shall repay the interests on a monthly basis and the principal amount at the end of the loan period

Security and guarantees:

(i) the pledge of the equity rights from a shareholder of Customer A at fair value of approximately RMB120 million.

(2) The Finance Lease Agreement with Customer B ("Finance Lease Agreement")*

The Finance Lease Agreement was entered into between 嘉實（廈門）融資租賃有限公司 (Jiashi (Xiaman) Finance Lease Limited) ("Jiashi Lease") (as the lessor) and 福建省順來發海洋漁業有限公司 (Fujian Shun Lai Fa Ocean Fishery Limited) ("Customer B") (as the lessee). Pursuant to the Finance Lease Agreement, Jiashi Lease has agreed among other things, (i) to purchase certain distant marine fisheries from the designated suppliers by Customer B at an aggregate consideration of approximately RMB210,000,000; (ii) to lease such distant marine fisheries to Customer B immediately afterwards for a period of approximately 5 years for a series of rental payments payable by Customer B to Jiashi Lease on a monthly basis in an aggregate amount over the entire lease period of approximately RMB257,430,000; and (iii) to transfer the ownership of such distant marine fisheries to Customer B after the end of the lease period at a nominal consideration of RMB3,200,000.

The principal terms of Finance Lease Agreement are as follows:

Amount of financing provided by Jiashi Lease to the Customer B:	RMB210,000,000
Aggregate amount of rental payment:	RMB257,430,000
Lease period:	60 months
Ownership of the leased property after the end of lease period:	To be transferred to the Customer at a nominal consideration of RMB3,200,000
Internal rate of return:	14.3%

Security and guarantees:

The Customer B has agreed to provide the following additional security and guarantees to Jiashi Lease under the Finance Lease Agreement:

(i) a cash deposit in the amount of approximately RMB85,884,000 pledged by the Customer B to Jiashi Lease; and

(ii) one personal guarantee and one corporate guarantee.

* The Finance Lease Agreement was entered into between Jiashi Lease and Customer B on 28 January 2015, which is before the Acquisition.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities (2014: Nil).

COMMITMENTS

(i) Operating lease commitments

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

	2015 RMB'000	2014 RMB'000
Within one year	**2,008**	1,051
Later than one year and not later than five years	**4,246**	1,894
	6,254	2,945

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

(ii) Capital commitments

As at 31 December 2015, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB530,500,000 (2014: Nil).

FOREIGN EXCHANGE RISK MANAGEMENT

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

TREASURY POLICIES

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 24 August 2015, the Company has entered into the agreement (as amended and supplemental by a supplemental deed dated 25 August 2015 and a second supplemental deed dated 17 September respectively) with Jiashi Company Limited to acquire (i) the sale shares, representing the entire issued share capital of JIFL, and (ii) the sale loan of approximately RMB128.3 million, representing all obligations, liabilities and debts owing by JIFL to Jiashi Company Limited, at the consideration of approximately RMB104 million. Completion of the Acquisition took place on 26 October 2015.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

HUMAN RESOURCES

As at 31 December 2015, the Group had a total of 147 employees (2014: 106). The staff costs (included Directors' emoluments) were approximately RMB13.0 million for the year ended 31 December 2015 (2014: RMB9.9 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund Scheme and insurance for its employees in Hong Kong.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under "Comparison of Business Objectives with Actual Business Progress" in this report, there was no specific plan for material investments or capital assets as at 31 December 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB183.7 million (2014: RMB252.8 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was approximately 22.8% as at 31 December 2015 (2014: Nil). The current ratio was approximately 4.6 times as at 31 December 2015 (2014: 14.4 times). During the year, the Group did not use any financial instruments for hedging purpose.

During the year, pursuant to a share placing and subscription agreement, Ever Ultimate Limited, an existing shareholder of the Company, placed 42,000,000 ordinary shares of the Company to certain independent third parties at HK$3.7 per share, and subscribed for 42,000,000 new ordinary shares issued by the Company at the same price. The aggregate cash consideration received, before share issue expenses, was approximately HK$155,400,000. This transaction resulted in an increase of the issued share capital and share premium account of HK$420,000 and HK$154,980,000 respectively. Share issue expenses of HK$2,498,000 were charged to the share premium account accordingly.

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB97.1 million and RMB96.1 million as at 31 December 2015 and 2014 respectively were pledged to secure for the Group's facilities of providing financial services to the customers.

MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

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

	2015 RMB'000	2014 RMB'000
Financial guarantee issued		
Maximum amount guaranteed	**344,630**	477,300

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

	2015 RMB'000	2014 RMB'000
Real estate	**186,563**	236,787
Inventories	**586,688**	631,490
Machinery	**10,937**	63,271
Motor vehicles	**5,855**	–
Property rights	**–**	2,050
	790,043	933,598

In respect of the Group's financial guarantee business, we have experienced default by certain customers resulting in our Group having to honour our financing guarantee obligations amounted to RMB34.6 million (2014: Nil) during the year ended 31 December 2015. The management considered that the Group will be able to recover the amount of approximately RMB32.0 million by taking possession of the relevant collateral held by the Group and selling such collateral in the market and /or claim the amounts from the counter-guarantors. As such, an impairment loss of receivables from guarantee customers of approximately RMB2.6 million is recorded during the year ended 31 December 2015 (2014: Nil).

Business objectives for the period from 25 November 2013 to 31 December 2015 as stated in the prospectus date 3 December 2013 (“the “Prospectus”)	Actual business progress for the period from 25 November 2013 to 31 December 2015
1. Further development of our finance lease business	
– Fully contribute the outstanding registered capital of Xiamen Differ Financial Leasing Company Limited (“Differ Lease”)	– The capital injection to Differ Lease has been completed in December 2013 and we have fully contributed the remaining share capital of Differ Lease by making use of proceeds from the placing
2. Strengthening of our entrusted loan business	
– Expand our entrusted loan business by injection addition funds into Differ Group (China) Company Limited (“Differ China”) or Differ VC	– The capital injection to Differ China of RMB60 million has been completed in January 2014. The Group has also granted entrusted loans to customers by making use of proceeds from the placing which was planned to be used for guarantee business. Please refer to note of “Use of Proceeds” below
– Recruit new marketing and sales staff for our entrusted loan business	– The Group has recruited certain new staff in the PRC for expansion of our entrusted loan business
3. Enhancement of our guarantee services	
– Increase our restricted bank deposits so as to increase the guarantee limits in banks	– Please refer to note of “Use of Proceeds” below
– Recruit additional marketing and sales staff for our guarantee business	– The Group has recruited certain new marketing and sales staff for our guarantee business
4. Improvement on risk management	
– Recruit new staff for risk management	– The Group has recruited certain new staff and improved the present system for risk management

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

USE OF PROCEEDS

The business objectives, future plans and planned use of proceeds as stated in the Prospectus (the updated amount of net proceeds is presented on the allotment results dated 6 December 2013) (the "Announcement") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds from the placing were applied based on the actual development of our business and financial industry. During the period from 25 November 2013 to 31 December 2015, the net proceeds from placing had been applied as follows:

		Planned use of proceeds as stated in the Announcement from 25 November 2013 to 31 December 2015 HK$' million	**Actual use of proceeds from 25 November 2013 to 31 December 2015** HK$' million
1.	Further development of our finance lease business	78.0	78.0
2.	Strengthening of our entrusted loan business	51.8	86.1 *(note)*
3.	Enhance of guarantee services	34.5	0.2 *(note)*
4.	Improvement on risk management	5.0	4.0
5.	Net proceeds reserved for general working capital	5.7	6.7

Note: The Group previously planned to enter into more guarantee cooperation agreements with certain new banks and place deposits to such new banks as securities for expansion of our guarantee business. However, as the growth rate of our guarantee business is slower that expected due to the increasingly challenging credit market, no new cooperation banks are required for now. As such, we have used HK$34.3 million (which was planned to be used for guarantee business) as capital for expansion of our entrusted loan business.

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of (i) guarantee services, (ii) express loan services, (iii) financial services, (iv) finance lease services and (v) asset management services. The principal activities and other particulars of the subsidiaries are set out in note 28 to the financial statements.

CORPORATION ORGANISATION AND USE OF PROCEEDS FROM PLACING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. Pursuant to a reorganisation to rationalise the group structure in preparation for the listing ("Listing"), the Company became the holding company of the Group. Details of the reorganisation are set out in the prospectus of the Company dated 3 December 2013 (the "Prospectus"). The Company was listed on GEM of the Stock Exchange on 9 December 2013 and was transferred listing to Main Board on 6 July 2015.

On 22 October 2015, the Company has completed the placing of 42,000,000 Shares and top-up subscription of the relevant new Shares. The net proceeds from the Subscription of approximately HK$152.9 million was utilized for the Group's business development including, in particular, for lending to the Group's customers and acquisition of distressed assets in the ordinary and usual course of the Group's business; and (ii) general working capital of the Group. Further details are contained in the Company's announcements dated 22 October 2015.

In addition, during the year, the Company raised net proceeds of approximately HK$20 million from placing of bonds which were utilized for money lending business. Further details are contained in the Company's announcement dated 15 April 2015 and 17 July 2015.

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended 31 December 2015 and the financial position of the Group at that date are set out in the financial statements on pages 48 to 51 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

FINANCIAL SUMMARY

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

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the property, plant and equipment of the Group for the year ended 31 December 2015 are set out in note 14 to the financial statements in this report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively in the report. Details of the distributable reserves of the Company are set out in note 26 to the financial statements. The Company's reserves available for distribution to members as at 31 December 2015 amounted to approximately RMB343.9 million (2014: RMB131.3 million).

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

MAJOR CUSTOMERS

For the year ended 31 December 2015, the percentage of revenue attributable to the Group's major customers are as follows:

Revenue

– The largest customer	7.7%
– The total of five largest customers	29.2%

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 and up to the date of this report are:

Executive Directors

Mr. Hong Mingxian ("Mr. Hong")
Mr. Ng Chi Chung
Mr. Cai Huatan ("Mr. Cai")

Non-executive Directors

Mr. Cai Jianfeng
Mr. Wu Qinghan

Independent Non-executive Directors

Mr. Chan Sing Nun
Mr. Tsang Hin Man Terence
Mr. Zeng Haisheng

In accordance with article 84 of the Company's articles of association, Mr. Cai, Mr. Wu Qinghan and Mr. Tsang Hin Man Terence will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM").

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 6 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in "Structured Agreements" below, no Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

EMOLUMENT POLICY AND REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 9 to the financial statements in this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures" below, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme was adopted by the Company on 26 November 2013, the principal terms of which are set out in the paragraph headed "Share Option Scheme" under the section headed "Statutory and General Information" of the Prospectus. Following the completion of the Share Subdivision, the total number of shares in respect of which options may be granted under the scheme shall not exceed 400,000,000 shares, being 9.44% of the total number of shares in issue as at the date of the report. No share options were granted, exercised or cancelled by the Company under the Scheme during the year and there were no outstanding share options under the Scheme as at 31 December 2015.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year are set out in note 31 to the financial statements in this report.

STRUCTURED AGREEMENTS

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 14A of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the announcement and the independent shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of the transactions contemplated under the Structured Agreements.

The Group's pawn loan business is carried out by Fujian Differ Pawn Company Limited ("Differ Pawn"). Under current PRC laws and regulations, no approval has been granted and no licence has been issued by Ministry of Commerce of the PRC ("MOC") or provincial commerce authority to any foreign invested enterprise for carrying out pawn loan business since no relevant rules and regulations has been announced by the relevant PRC authorities so far. Differ Pawn is currently a domestic company and has already obtained the Pawn Operation Permit. In order for the Group to control and manage the business of Differ Pawn in the PRC, the Structured Agreements were entered into, under which all the business, financial and operating activities of Differ Pawn are managed by Differ Group (China) Company Limited ("Differ Group (China) "), formerly known as Differ Holdings (Xiamen) Company Limited) and all economic benefits and risks arising from the business, financial and operating activities of Differ Pawn are transferred to Differ Group (China) by means of management and consultation fees payable by Differ Pawn to Differ Group (China).

As extracted from the audited financial statements of Differ Pawn for the year ended 31 December 2015 ("Audited Financial Statements"), the revenue, net profit and net assets are approximately RMB14.2 million, RMB7.0 million and RMB56.2 million respectively, representing approximately 7.7%, 6.6% and 5.6% of the total revenue, net profit and net assets of the Group respectively.

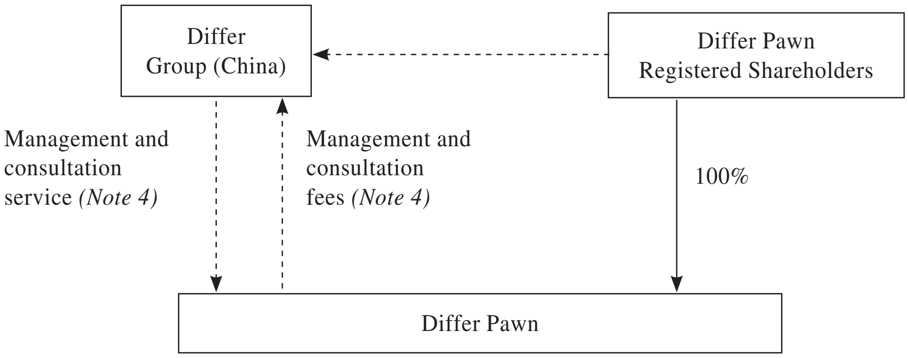
The following simplified diagram illustrates the flow of economic benefits from Differ Pawn to Differ Group (China) stipulated under the Structured Agreements:

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

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

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

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



Notes:

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

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

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

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

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

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

Exclusive Management and Consulting Services Agreement

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

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

- the board of directors of Differ Pawn shall be nominated by Differ Group (China), and Differ Pawn shall cause those directors to elect the candidate recommended by Differ Group (China) as the chairman;

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

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

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

Equity Pledge Agreements

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

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

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

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

Exclusive Option and Equity Custodian Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Power of Attorney

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

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

During the year ended 31 December 2015, Differ Group (China) was entitled to management and consultation fees of RMB6,985,154 (2014: RMB7,707,107) from Differ Pawn in a manner as prescribed in the exclusive management and consulting services agreement on 16 July 2012. The management and consultation fees payable by Differ Pawn to Differ Group (China) are equivalent to the total revenue less all the related costs, expenses and taxes as extracted from the Audited Financial Statements. Pursuant to a resolution passed by the Company's board of Directors on 25 February 2016, the management fee of RMB1,000,000 (2014: RMB1,600,000) was received by Differ Group (China) on 7 March 2016 and the remaining balance of RMB5,985,154 (2014: RMB6,107,107) was kept by Differ Pawn for the development of its pawn loan business. According to the Audited Financial Statements, no dividend or other distribution had been made for the year ended 31 December 2015.

The independent non-executive Directors have reviewed the Structured Agreements and confirmed that: (1) the transactions carried out during the year ended 31 December 2015 have been entered into in accordance with the relevant provisions of the Structured Agreements; (2) no dividends or other distributions have been made by Differ Pawn to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (3) any new contracts entered into, renewed or reproduced between the Group and Differ Pawn during the year ended 31 December 2015 are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

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

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Differ Pawn has been treated as the Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Differ Pawn and their respective associates has been treated as the Company's "Connected Persons" and transactions between these Connected Persons and the Group other than those under the Structured Agreements shall comply with Chapter 14A of the Listing Rules.

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

We confirm that there has been no change in the regulatory framework applicable to the Group's pawn loan business since the Company's listing on Stock Exchange. In addition, the Group will unwind the Structured Agreements as soon as the relevant PRC regulations and rules allow the Group to operate its pawn loan business without the Structured Agreements. Pursuant to a confirmation letter dated 26 November 2013, the registered shareholders of Differ Pawn have undertaken that, subject to the relevant laws and regulations, they will return to Differ Group (China) or its nominee(s) any consideration they receive in the event that Differ Group (China) or its nominee(s) acquires the equity interest in Differ Pawn when unwinding the Structured Agreements.

The discussion draft of the proposed new foreign investment law published by the MOC on 19 January 2015 (the "Draft FIL")

On 19 January 2015, the MOC published the Draft FIL on its official website to solicit public comments, which, if enacted, will bring radical changes to the existing foreign investment regime in China. The Draft FIL contains 170 articles and 11 chapters, covering: (1) General Provisions; (2) Foreign Investors and Foreign Investment (3) Administration of Entry Clearance; (4) National Security Review; (5) Information Reporting; (6) Investment Promotion; (7) Investment Protection; (8) Coordination and Settlement of Complaints; (9) Supervision and Examination; (10) Legal Liability; and (11) Miscellaneous Provisions. Major changes introduced by the Draft FIL are summarized as follows:

i. **The definitions of Foreign Investor and Foreign Investment.** The Draft FIL defines a foreign investor not only based on its place of incorporation, but also by using the standard of "actual control", i.e. domestic enterprises under the control of foreign investors will also be treated as foreign investors. At the same time, the definition of "foreign investment" is not limited to greenfield investment or establishment of legal entities, but extends to mergers and acquisitions, real property transactions, financing for more than one year, concessions for the exploration and development of natural resources, concessions for the construction and operation of infrastructures, contractual/fiduciary control and other investment methods.

ii. **Administration of Entry Clearance.** The Draft FIL abandons the case-by-case approval system currently in place, and adopts instead a limited foreign investment entry clearance system (i.e. the "negative list" approach). The negative list will only comprise two categories: the prohibited category and the restricted category. Advance approval will no longer be required for most foreign investments, and only investments in restricted sectors and certain large investments will be subject to entry clearance. The main focus of entry clearance review will be the identity of the foreign investor and the impact of the foreign investment on national security, energy resources, technology innovation, environmental protection, employment and other matters of public interests, rather than the internal governance structure of the foreign-invested enterprise and the transaction documents.

iii. **National Security Review.** The Draft FIL incorporates the national security review as a separate chapter, which elevates the national security review from departmental regulations to official law. Based on the existing joint ministerial mechanism for national security review, the Draft FIL further expands the scope of national security review and provides for more specific procedures and coercive measures in its application. The national security review enjoys judicial immunity to the effect that the decisions of the review cannot be appealed or subject to administrative review.

iv. **Information Reporting System.** While the proactive administrative oversight and control would be relaxed for most foreign investment, the Draft FIL establishes a comprehensive information reporting system for all foreign investments without regard to sectors. The Information reporting system includes the investment implementation report, the investment amendment report, the annual report and the quarterly report, each with different requirements and contents. The penalties for non-compliance with the information reporting obligations are severe, and the persons directly responsible may also be criminally liable.

v. **Consolidation of Foreign Investment Laws.** The Draft FIL integrates the application of laws on separately regulated foreign invested enterprises, and makes it clear that existing foreign invested enterprises would have three years to transit to the generally applicable governance requirements under the Company Law and the Partnership Enterprise Law, etc.

Potential impact of the Draft FIL on the Group

The Draft FIL introduces for the first time the concept of "actual control" from the foreign investment perspective, which means that whether a company is considered as a foreign invested or domestic company depends on its actual controller. According to the Draft FIL, one of the standards for identifying "control", is the possession of decisive power to influence the management, finance, personnel or technology of a company through contractual, trust Or other arrangements. The Draft FIL also specifies that foreign investments include situations where foreign investors obtain control or interests in PRC domestic companies through contractual or trust arrangements, and domestic companies under the control of foreign investors will be treated as foreign investors.

Accordingly, under a VIE Structure similar to the Structured Agreements, if the actual controller is of Chinese (mainland) nationality, then the relevant domestic company shall be treated as a Chinese invested company and, therefore, the foreign investment regime stipulated by the Draft FIL will not apply and the VIE Structure may be considered as legitimate. Conversely, if the actual controller is a foreign entity or national, then the domestic company will be treated as a foreign invested company, and may be subject to the entry clearance, national security review, and information reporting requirements. Since the actual controllers of the Group, namely Ms. Shi Hongjiao and Mr. Cai Huatan, are not of Chinese (mainland) nationality, Differ Pawn shall be treated as a foreign invested company and be subject to the foreign investment requirements if the Draft FIL is formally passed.

However, whether Differ Pawn can continue with its operations under the Structured Agreements if the Draft FIL becomes law is still contingent on the "negative list", to be promulgated. As disclosed in the Prospectus and up to the date of this report, the pawn loan industry falls within the permitted category for foreign investment rather than restricted or prohibited category under the Catalogue for the Guidance of Foreign Investment Industries. Article 71 of the Pawning Measures also provides that rules and regulations governing the investment by foreign investors in pawn loan business in the PRC shall be separately promulgated by the MOC and other relevant authorities. Based on the best knowledge of the Directors, no such rules and regulations have been promulgated so far and in practice no approval has been granted and no licence has been issued to any foreign invested enterprise for carrying out pawn loan business.

The Group adopted the VIE Structure only because in practice no approval has been granted and no licence has been issued to any foreign invested enterprise for carrying out pawn loan business since no such rules and regulations has been announced by any authorities so far, rather than to circumvent statutory foreign investment restriction in the PRC. Based on the Directors' knowledge and understanding of the foreign investment policies in the PRC and the fact that the pawn loan industry falls within the permitted category for foreign investment rather than restricted or prohibited category under the Catalogue for the Guidance of Foreign Investment lndustries since the Catalogue for the Guidance of Foreign Investment Industries was first promulgated in 1995 and up to the date of this report, there is a minor possibility that the pawn loan industry will fall into or move to the "negative list", and therefore, there is a very low risk that the Group's VIE Structure will be considered as illegal if the Draft FIL is formally passed.

Moreover, pursuant to the legislative procedures in the PRC, it is still unlikely to ascertain when the Draft FIL will become law and a new foreign investment regime will be established. The comments from the public and the input from various governmental agencies may affect the shape and direction of the Draft FIL generally. Therefore, it is too early to clearly predict the destiny of VIE Structure and the impact of the Draft FIL on the Group's pawn loan operations.

Nevertheless, if the Structured Agreements are adjudicated to be in violation of any applicable PRC laws, rules or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including revoking the business and operating licences of Differ Pawn, imposing economic penalties, confiscating illegal incomes, imposing conditions or requirements with which the Group have to comply, requiring the Group to cease operations in the pawn loan industry and restructure the relevant ownership structure, taking other regulatory or enforcement actions that could adversely affect the pawn loan business of the Group. Nevertheless, as mentioned above, the Group's pawn loan business only generated small portion of the total revenue of the Group. As such, the Directors consider that if the Group is unable to continue its pawn loan business, the impact on the Group's overall business and financial position and prospects will be immaterial.

Suggested approaches to deal with existing VIE Structure

Accompanying the Draft FIL, the MOC also released the Explanation of the Draft FIL (the "Explanation") on its official website on 19 January 2015, in which the MOC sets forth three suggested approaches to deal with existing foreign investments by way of VIE Structure, provided that such foreign investments still fall under the prohibited or restricted category for foreign investment after the Draft FIL comes into force.

Approach I – Reporting

The foreign-invested enterprises that implement VIE Structure shall report to the competent foreign investment authority of the State Council that they are actually controlled by PRC investors. Following such reporting, these foreign-invested enterprises can keep their VIE Structure and the relevant entities can continue with their operations.

Approach II – Confirmation

The foreign-invested enterprises that implement VIE Structure shall apply to the competent foreign investment authority of the State Council for recognition as to whether they are actually controlled by PRC investors. If the authority determines that they are actually controlled by PRC investors, then these foreign-invested enterprises can keep their VIE Structure and the relevant entities can continue with their operations.

Approach III – Approval

The foreign-invested enterprises that implement VIE Structure shall apply to the competent foreign investment authority of the State Council for approval. The authority, together with other relevant government bodies, will consider many factors, one of which is actual controller, when deciding whether or not to grant the approval.

It is unknown at this time which one of the above approaches, or any other approaches, will ultimately be adopted by the MOC. Yet whatever approach is adopted, it will only apply in the case of foreign investment in the prohibited or restricted areas. As mentioned above, there is a minor possibility that the pawn loan industry will fall under the prohibited or restricted category for foreign investment. As such, there is a low possibility that Differ Pawn will have to report to or obtain any confirmation or approval from the relevant authority under the aforesaid approaches. Therefore, there is a low risk that the Company would be requested to dispose of its interest in its pawn loan business pursuant to the Draft FIL.

In the regular press conference of MOC held on 28 April 2015, the spokesman Shen Danyang also expressed that VIE Structure is a widely concerned topic, and the MOC will carefully study the opinions and suggestions from the public and cautiously deal with this issue. Since the Draft FIL still needs to be reviewed by the State Council and the National People's Congress, during which necessary revisions will be made to the Draft FIL, it is still too early to judge if the foreign investment in some certain area using the VIE Structure is legal.

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

As at 31 December 2015, 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 Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interests
Mr. Hong Mingxian	Interest of spouse *(note 1)*	1,800,000,000 Shares	42.49%
Mr. Cai Huatan	Interest of controlled corporation *(note 2)*	1,200,000,000 Shares	28.33%

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficial owned by Ms. Shi Hongjiao ("Ms. Shi"). By virtue of the SFO, Mr. Hong, being the spouse of Ms. Shi, is deemed to be interested in the 1,800,000,000 Shares under the SFO.

2. These Shares were held by Ever Ultimate Limited, which was wholly and beneficial owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 1,200,000,000 Shares under the SFO.

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

As at 31 December 2015, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following persons or companies (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares which was discloseable under Divisions 2 & 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares

Name	Capacity/nature of interest	Number of Shares	Percentage of interests
Expert Corporate Limited	Beneficial owner *(note 1)*	1,800,000,000 Shares	42.49%
Ms. Shi Hongjiao	Interest of controlled corporation *(note 1)*	1,800,000,000 Shares	42.49%
Mr. Hong Mingxian	Interest of spouse *(note 2)*	1,800,000,000 Shares	42.49%
Ever Ultimate Limited	Beneficial owner *(note 3)*	1,200,000,000 Shares	28.33%
Mr. Cai Huatan	Interest of controlled corporation *(note 3)*	1,200,000,000 Shares	28.33%

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficial owned by Ms. Shi. By virtue of the SFO, Ms. Shi is deemed to be interested in the 1,800,000,000 Shares under the SFO.

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

3. These Shares were held by Ever Ultimate Limited, which was wholly and beneficial owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 1,200,000,000 Shares under the SFO.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Messis Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 2 December 2013 effective on 9 December 2013, the date of the Listing neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 31 December 2015 which is required to be notified to the Company pursuant to the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 December 2015.

All the independent non-executive Director were delegated with the authority to review on an annual basis the compliance of the terms of the non-competition undertaking and the enforcement of the non-competition undertaking given by Ms. Shi, Mr. Cai, Expert Corporate Limited and Ever Ultimate Limited (collectively, the "Controlling Shareholders"). Each of the Controlling Shareholders confirmed that (a) they have provided all information necessary for the enforcement of the non-competition undertaking, as requested by all independent non-executive Directors from time to time; and (b) each of the Controlling Shareholders had fully complied with the non-competition undertaking for the year ended 31 December 2015. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the non-competition undertaking given by the Controlling Shareholders during the same period.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 45 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by BDO Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

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

Hong Kong, 24 March 2016

The board of Directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2015.

The Company is committed to establishing good corporate governance practices, procedures and fulfilling its responsibilities to its shareholders, protecting and enhancing shareholders' value. The Company's corporate governance practices are based on the principles and code provision as set out in the Code on Corporate Governance Practices ("CG code") in Appendix 14 to the Listing Rules.

Throughout the year ended 31 December 2015, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

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

THE BOARD AND BOARD COMMITTEES

As at 31 December 2015, the Board consists of eight Directors and their respective roles are set out as follows:

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

The biographical details of all directors are set out under the section headed "Directors and Senior Management Biographical Details" on pages 6 to 7.

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

During the year ended 31 December 2015, the Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence. Each of the independent non-executive Directors has made an annual confirmation of independence and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 3.13 of the Listing Rules, up to the date of the annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals. The Chairman of the Board is Mr. Hong Mingxian, who is responsible for the overall strategic formulation, management and planning of our Group. The Chief Executive Officer is Mr. Ng Chi Chung, who is responsible for business development and day-to-day management and operations of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company is engaged on a service agreement with the Company for a term of three years. The Company has also issued a letter of appointment to each of the non-executive directors and independent non-executive directors for a term of three years. In accordance with Article 84 of the Company's Articles of Association, one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting ("AGM") at least once every three years. All of the retiring directors, being eligible, will offer themselves for re-election at the forthcoming AGM. Pursuant to the aforesaid provision of the Articles of Association, three directors of the Company shall retire at the forthcoming AGM of the Company and being eligible, will offer themselves for re-election at the meeting. The Company's circular, sent together with this annual report, contains detailed information of the retiring directors pursuant to the Listing Rules.

BOARD COMMITTEE

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

DIRECTORS' ATTENDANCE RECORD

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

During the year ended 31 December 2015, the Board held four regular board meetings which were held at approximately quarterly intervals and three general meetings, being 2015 AGM and two extraordinary general meetings ("EGM"). The attendance of each Directors is as follows:

	Number of board meetings attended/held	Number of general meeting attended/held
Executive Directors:		
Mr. Hong Mingxian	4/4	3/3
Mr. Ng Chi Chung	4/4	3/3
Mr. Cai Huatan	4/4	3/3
Non-executive Directors:		
Mr. Cai Jianfeng	4/4	1/3
Mr. Wu Qinghan	4/4	1/3
Independent non-executive Directors:		
Mr. Chan Sing Nun	4/4	1/3
Mr. Tsang Hin Man Terence	4/4	1/3
Mr. Zeng Haisheng	4/4	1/3

There were 10 additional board meetings held for normal course of business during the year with the presence of all executive Directors. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of Board members. The Board is provided with relevant materials in relation to the matters brought before the meetings. Reasonable notices of meetings are given to the Directors and the Directors are encouraged to propose new items as any other business for discussion at the meetings. Minutes are kept by the company secretary and are open for inspections by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and applicable rules and regulations.

AUDIT COMMITTEE

The Board has established the Audit Committee on 26 November 2013 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan Sing Nun, Mr. Tsang Hin Man Terence and Mr. Zeng Haisheng. Mr. Chan Sing Nun is the chairman of the Audit Committee.

The main duties of the Audit Committee include, among others:

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

– reviewing and examining the effectiveness of internal control measure;

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

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

During the year ended 31 December 2015, the Audit Committee (1) reviewed the Group's annual, quarterly and interim reports and result announcements, the related accounting principles and practices adopted by the Group and provided advice and comments thereon; (2) made recommendations to the Board and the management in respect of the Group's financial reporting and internal control procedures; (3) reviewed the Group's continuing connected transactions pursuant to the Listing Rules and conditions of waiver granted by the Stock Exchange. The Audit Committee held three meetings during the year and the attendance of each member is as follows:

	Member of Audit Committee Meeting attended/held
Mr. Chan Sing Nun	3/3
Mr. Tsang Hin Man Terence	3/3
Mr. Zeng Haisheng	3/3

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee on 26 November 2013 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Tsang Hin Man Terence, Mr. Zeng Haisheng and Mr. Chan Sing Nun. Mr. Tsang Hin Man Terence is the chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include, among others:

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

– ensuring none of the Directors determine their own remuneration.

During the year ended 31 December 2015, the Remuneration Committee reviewed and made recommendation on the remuneration package of Directors and senior management of the Group and assessed the performance of executive Directors. The Remuneration Committee held 1 meeting during the year and attendance of each member is as follows:

	Number of Remuneration Committee Meeting attended/held
Mr. Tsang Hin Man Terence	1/1
Mr. Zeng Haisheng	1/1
Mr. Chan Sing Nun	1/1

NOMINATION COMMITTEE

The Board has established the Nomination Committee on 26 November 2013 with written terms of reference in compliance with the Listing Rules. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Zeng Haisheng, Mr. Tsang Hin Man Terence and Mr. Chan Sing Nun. Mr. Zeng Haisheng is the chairman of the Nomination Committee.

The main duties of the Nomination Committee include, among others:

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

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

– identify suitable and qualified individuals to become Board members.

During the year ended 31 December 2015, the Nomination Committee reviewed and discussed the structure, size and composition of the Board; made recommendation on the re-election of the retiring Directors; and confirmed the independence of the independent non-executive Directors. The Nomination Committee held 1 meeting during the year and the attendance of each member is as follows:

	Number of Nomination Committee Meeting attended/held
Mr. Zeng Haisheng	1/1
Mr. Tsang Hin Man Terence	1/1
Mr. Chan Sing Nun	1/1

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2015.

AUDITOR'S STATEMENT AND THEIR REMUNERATION

The statement of the auditor of the Company about their reporting responsibilities on the Group's financial statements for the year ended 31 December 2015 is set out in the section headed "Independent Auditor's Report" of this report.

The remuneration for audit services payable by the Company to its auditor, BDO Limited ("BDO"), for the year ended 31 December 2015 amounted to HK$750,000 (2014: HK$550,000). Non-audit services fee amounted to HK$550,000 (2014: Nil) was paid to BDO during the year ended 31 December 2015.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

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

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

Apart from the above, our Group highly values the importance of internal control and risk management for the development of the new business. The Group has engaged an independent professional internal control consulting firm ("Internal Control Reviewer") to review our internal control system and procedures for the year ended 31 December 2015.

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

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

The Group provides continuing briefings and professional development to the Directors to update on the latest development in relation to the Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

During the year ended 31 December 2015, all Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending training course to develop professional skills.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the consolidated financial statements for the financial year ended 31 December 2015, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and properly prepared on going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

In accordance with Article 58 of the articles of association of the Company, shareholders holding not less than 10% of the paid up capital of the Company can convene an EGM by written requisition to the Board or the secretary of the Company. In addition, shareholders can raise any questions relating to published information and latest strategic plan of the Group with the Directors. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

INVESTOR RELATIONS

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

Shareholders can also submit enquires to the management and send proposals to be put forward at shareholders' meeting to the Board or senior management by sending emails to pr@dfh.cn or making phone calls to our investor relations team at +852 2619 9924. In addition, the Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

During the year ended 31 December 2015, there had been no change in the constitutional documents of the Company.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

TO THE SHAREHOLDERS OF DIFFER GROUP HOLDING COMPANY LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Differ Group Holding Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 118, which comprise the consolidated statement of financial position as at 31 December 2015, 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Wong Kwok Wai
Practising Certificate Number P06047

Hong Kong, 24 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Income from financial related services	7	**162,150**	118,091
Income from disposal of distressed assets	7	**21,000**	–
Other income	7	**4,432**	4,664
Employee benefit expenses		**(12,966)**	(9,867)
Depreciation and amortisation expenses		**(2,603)**	(1,860)
Operating lease expenses		**(1,357)**	(807)
Other expenses		**(24,531)**	(11,439)
Finance costs	10	**(3,641)**	–
Profit before income tax	8	**142,484**	98,782
Income tax expense	11	**(36,960)**	(25,769)
Profit for the year		**105,524**	73,013
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		**(2,895)**	(276)
– Fair value gain on available-for-sale financial assets		**30,700**	–
– Release to profit or loss upon disposal of available-for-sale financial assets		**(21,000)**	–
		6,805	(276)
Total comprehensive income for the year		**112,329**	72,737

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Profit for the year attributable to:			
Owners of the Company		**103,788**	73,013
Non-controlling interests		**1,736**	–
		105,524	73,013
Total comprehensive income attributable to:			
Owners of the Company		**110,593**	72,737
Non-controlling interests		**1,736**	–
		112,329	72,737
Earnings per share	13		
– Basic (RMB cents)		**2.56**	1.83
– Diluted (RMB cents)		**2.56**	1.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**14,406**	14,652
Prepaid land lease	15	**6,919**	7,326
Restricted bank deposits	16	**2,930**	7,900
Finance lease, loan and account receivables	17	**380,591**	49,647
Goodwill	18	**33,400**	–
		438,246	79,525
Current assets			
Available-for-sales financial assets	19	**81,500**	–
Finance lease, loan and account receivables	17	**790,096**	314,071
Prepayments, deposits and other receivables	20	**83,155**	5,468
Restricted bank deposits	16	**94,178**	88,212
Cash and bank balances	21	**89,510**	164,579
		1,138,439	572,330
Current liabilities			
Accruals, other payables, deposits received and deferred income	22	**106,122**	25,775
Provision for taxation		**18,812**	13,979
Bank borrowings	23	**124,837**	–
		249,771	39,754
Net current assets		**888,668**	532,576
Total assets less current liabilities		**1,326,914**	612,101

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Deposits received and deferred income	22	**93,684**	31,553
Bank borrowings	23	**218,591**	–
Corporate bonds	24	**16,800**	–
		329,075	31,553
Net assets		**997,839**	580,548
EQUITY			
Share capital	25	**8,292**	7,800
Reserves	26	**893,503**	572,748
Equity attributable to owners of the Company		**901,795**	580,548
Non-controlling interests	29	**96,044**	–
Total equity		**997,839**	580,548

On behalf of the Board

Hong Mingxian	**Cai Huatan**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2015

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000 *(Note 26)*	Capital reserve RMB'000 *(Note 26)*	Merger and other reserves RMB'000 *(Note 26)*	Statutory reserve RMB'000 *(Note 26)*	Financial assets revaluation reserve RMB'000 *(Note 26)*	Convertible bonds equity reserve RMB'000 *(Note 26)*	Translation reserve RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014	7,800	137,515	277,562	7	7,402	–	–	532	76,993	507,811	–	507,811
Profit for the year	–	–	–	–	–	–	–	–	73,013	73,013	–	73,013
Other comprehensive income for the year	–	–	–	–	–	–	–	(276)	–	(276)	–	(276)
Total comprehensive income for the year	–	–	–	–	–	–	–	(276)	73,013	72,737	–	72,737
Transfer to statutory reserve	–	–	–	–	7,624	–	–	–	(7,624)	–	–	–
At 31 December 2014 and 1 January 2015	7,800	137,515	277,562	7	15,026	–	–	256	142,382	580,548	–	580,548
Profit for the year	–	–	–	–	–	–	–	–	103,788	103,788	1,736	105,524
Other comprehensive income for the year	–	–	–	–	–	9,700	–	(2,895)	–	6,805	–	6,805
Total comprehensive income for the year	–	–	–	–	–	9,700	–	(2,895)	103,788	110,593	1,736	112,329
Transfer to statutory reserve	–	–	–	–	12,748	–	–	–	(12,748)	–	–	–
Issue of ordinary shares by placing	353	130,183	–	–	–	–	–	–	–	130,536	–	130,536
Share issue expenses	–	(2,098)	–	–	–	–	–	–	–	(2,098)	–	(2,098)
Recognition of equity component of convertible bonds	–	–	–	–	–	–	37,425	–	–	37,425	–	37,425
Issue of ordinary shares in respect of conversion of convertible bonds	139	90,429	–	–	–	–	(37,425)	–	–	53,143	–	53,143
Arising from acquisition of subsidiaries and deemed partial disposal of subsidiaries	–	–	–	(8,352)	–	–	–	–	–	(8,352)	94,308	85,956
At 31 December 2015	8,292	356,029	277,562	(8,345)	27,774	9,700	–	(2,639)	233,422	901,795	96,044	997,839

* Retained profits included amount of approximately RMB29,708,000 as at 31 December 2015 (2014: RMB27,961,000) which was set aside in accordance with the relevant rules governing the financial guarantee business in the People's Republic of China (the "PRC") as reserve for non-matured obligation and guarantee indemnity reserve and was not distributable.

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Profit before income tax		**142,484**	98,782
Adjustments for:			
Bank interest income	7	**(1,639)**	(1,805)
Interest expenses	10	**3,641**	–
Depreciation of property, plant and equipment	8	**2,196**	1,453
Amortisation of prepaid land lease	8	**407**	407
Gain on disposal of property, plant and equipment	7	**(164)**	–
Impairment loss on finance lease, loan and receivables	8	**6,696**	–
Operating profit before working capital changes		**153,621**	98,837
Increase in finance lease, loan and account receivables, net of deferred income		**(279,724)**	(138,527)
Decrease/(increase) in prepayments, deposits and other receivables		**7,536**	(3,934)
(Increase)/decrease in restricted bank deposits		**(996)**	28,028
(Decrease)/increase in accruals, other payables and deposits received		**(47,585)**	23,449
Increase in available-for-sale financial assets		**(71,800)**	–
Cash (used in)/generated from operations		**(238,948)**	7,853
Interest received		**1,895**	1,805
Income tax paid		**(32,660)**	(21,346)
Net cash used in operating activities		**(269,713)**	(11,688)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(722)**	(4,505)
Proceed from disposal of property, plant and equipment		**236**	–
Acquisition of subsidiaries, net of cash acquired	34	**13,698**	–
Net cash generated from/(used in) investing activities		**13,212**	(4,505)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Proceeds from issue of new shares by placing		**130,536**	–
Share issue costs		**(2,098)**	–
Proceed from issue of corporate bonds		**16,400**	–
New bank loans obtained		**60,000**	–
Repayment of bank loans		**(17,881)**	–
Interest paid		**(3,014)**	–
Net cash generated from financing activities		**183,943**	–
Net decrease in cash and cash equivalents		**(72,558)**	(16,193)
Cash and cash equivalents at beginning of the year		**164,579**	181,055
Effect of foreign exchange rates, net		**(2,511)**	(283)
Cash and cash equivalents at end of the year		**89,510**	164,579
Analysis of balances of cash and cash equivalents			
Cash and bank balances	21	**89,510**	164,579

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 28 to the financial statements.

The financial statements for the year ended 31 December 2015 were approved by the board of directors on 24 March 2016.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

2.3 Functional and presentation currency

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

3. ADOPTION OF HKFRSs

3.1 Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new and revised HKFRSs which are relevant to and effective for the Group's financial statements.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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

3.2 New/revised HKFRSs that have been issued but are not yet effective

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
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 2018

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and revised HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and revised HKFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

3. ADOPTION OF HKFRSs – continued

3.2 New/revised HKFRSs that have been issued but are not yet effective – continued

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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 finance 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.

3. ADOPTION OF HKFRSs – continued

3.2 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 steps 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.1 Business combination and basis of consolidation – continued

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.2 Subsidiaries

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

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

4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4.4), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.4 Impairment of assets (other than financial 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;
- Prepaid land lease; and
- 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.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

4.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.5 Property, plant and equipment – continued

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

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

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

4.6 Prepaid land lease

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

4.7 Leasing

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

Finance lease as lessor

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

Operating lease charges as the lessee

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.8 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 equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.9 Employee benefits

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

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

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

4.10 Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.10 Financial assets – continued

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are initially measured at fair value plus directly attributable transaction costs and subsequently at fair value with changes in fair value recognised in other comprehensive income and accumulated in financial assets revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the financial assets revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment loss on financial assets

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.10 Financial assets – continued

For available-for-sale financial assets

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 loans and receivables

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

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4.11 Financial liabilities

The Group's financial liabilities include corporate bond, bank borrowings, accruals, other payables and deposits received and the debt element of convertible bonds issued by the Group.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.11 Financial liabilities – continued

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

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

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

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

4.12 Cash and cash equivalents

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

4.13 Provisions and contingent liabilities

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Provisions and contingent liabilities – continued

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

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

4.14 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.14 Accounting for income tax – continued

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

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

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

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

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

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

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

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

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

  (i) the same taxable entity; or

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.15 Revenue recognition

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

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

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

(c) Consultancy service income is recognised using the percentage of completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed. However, when a specific act is much more significant than any other acts, the recognition of consultancy service income is postponed until the significant act is executed.

(d) Income from distressed assets is mainly generated from distressed debt assets included in available-for-sale financial assets. Income from distressed asset includes dividend income and gains or losses from disposal of these instruments.

4.16 Government grants

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.17 Foreign currencies

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

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

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

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

4.18 Related parties

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

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

(ii) has significant influence over the Group; or

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.18 Related parties – continued

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.19 Financial guarantee contracts

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

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

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

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

4.20 Segment reporting

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.21 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Subsidiary

As detailed in Note 28, 福建鼎豐典當有限公司 (Fujian Differ Pawn Company Limited^) ("Differ Pawn") is accounted for as a subsidiary as a consequence of the Structured Agreements (as defined in Note 28). Significant judgments have been exercised by the management in accessing and concluding Differ Pawn is a subsidiary of the Group.

^ The English names are for identification only.

Impairment of receivables

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES – continued

Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the 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.

Estimated useful lives of property, plant and equipment

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

Estimation of provision for financial guarantee issued

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

Tax

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES – continued

Stage of completion of consultancy services

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

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities 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 available-for-sale financial assets (Note 19) at fair value. For more detailed information in relation to the fair value measurement, please refer to the applicable notes.

Impairment of available-for-sale investments

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical price movements and the duration and extent to which the fair value of an investment is less than its cost.

6. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's executive directors in order to allocate resources and assess performance of the segment. Executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in provision of financial services which includes the provision of entrusted loan, financial consultancy, guarantee, pawn loan, finance lease services, money lending and assets management. The executive directors allocate resources and assess performance on an aggregated basis. The Group's revenue from external customers is divided into certain groups of products which is disclosed in Note 7.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC and Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile.

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is principally sourced from the PRC (including Hong Kong). The total revenue is disclosed in Note 7. The Group's non-current assets other than financial instruments are principally located in the PRC (including Hong Kong).

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue.

7. REVENUE AND OTHER INCOME

Revenue represents income from the Group's principal activities, net of value-added tax.

	2015 **RMB'000**	2014 RMB'000
Income from financial related services		
Interest income from:		
– Pawn loans	**13,970**	14,814
– Entrusted loans	**50,488**	39,087
– Money lending	**2,866**	–
Consultancy service income	**56,760**	37,163
Income from guarantee services	**16,561**	15,741
Income from finance lease services	**21,505**	11,286
	162,150	118,091
Income from disposed of distressed assets	**21,000**	–
Other income		
Bank interest income	**1,639**	1,805
Gain on disposal of property, plant and equipment	**164**	–
Government grants*	**707**	2,810
Exchange gain	**95**	–
Others	**1,827**	49
	4,432	4,664

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

8. PROFIT BEFORE INCOME TAX

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

	2015 RMB'000	2014 RMB'000
Auditor's remuneration	**633**	432
Depreciation of property, plant and equipment	**2,196**	1,453
Amortisation of prepaid land lease	**407**	407
Impairment loss on finance lease, loan and account receivables	**6,696**	–
Employee benefit expenses (including directors' remuneration *(Note 9)*)		
Salaries	**11,510**	8,502
Pension scheme contributions – Defined contribution plans	**423**	373
Other benefits	**1,033**	992
	12,966	9,867
Net foreign exchange (gain)/loss	**(95)**	24
Operating lease charges in respect of properties	**1,357**	807

9. 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 2015				
Executive directors:				
Mr. Cai Huatan	–	246	12	258
Mr. Hong Mingxian	–	523	9	532
Mr. Ng Chi Chung	–	458	10	468
	–	1,227	31	1,258
Non-executive directors:				
Mr. Cai Jianfeng	79	41	–	120
Mr. Wu Qinghan	79	–	–	79
	158	41	–	199
Independent non-executive directors:				
Mr. Chan Sing Nun	79	–	–	79
Mr. Tsang Hin Man Terence	79	–	–	79
Mr. Zeng Haisheng	79	–	–	79
	237	–	–	237
Total	395	1,268	31	1,694

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

(a) Directors' remuneration – continued

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014				
Executive directors:				
Mr. Cai Huatan	–	236	9	245
Mr. Hong Mingxian	–	387	6	393
Mr. Ng Chi Chung	–	319	6	325
	–	942	21	963
Non-executive directors:				
Mr. Cai Jianfeng	75	–	–	75
Mr. Wu Qinghan	75	–	–	75
	150	–	–	150
Independent non-executive directors:				
Mr. Chan Sing Nun	75	–	–	75
Mr. Tsang Hin Man Terence	75	–	–	75
Mr. Zeng Haisheng	75	–	–	75
	225	–	–	225
Total	375	942	21	1,338

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included two directors (2014: two) for the year ended 31 December 2015 whose emoluments are reflected in Note 9(a).

The analysis of the emolument of the five highest paid individuals for the year ended 31 December 2015 and 2014, whose emolument fell within the band from nil to HK$1,000,000, are set out below:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowances and benefits in kind	**2,123**	1,822
Pension scheme contributions	**40**	33
	2,163	1,855

(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.

10. FINANCE COSTS

	2015 **RMB'000**	2014 RMB'000
Interest on bank borrowings	**3,300**	–
Interest on corporate bonds	**341**	–
	3,641	–

11. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax		
PRC		
– current year	**35,832**	25,769
– withholding tax	**1,128**	–
	36,960	25,769

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.

Enterprise income tax arising from subsidiaries operated in the PRC for the year was calculated at 25% (2014: 25%) of the estimated assessable profits during the year.

Withholding tax was calculated at 10% of the dividends declared in respect of profits earned by PRC entities to a non-PRC holding company during the year.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2015 and 2014.

As at 31 December 2015, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB230,966,000 (2014: RMB152,067,000). For the PRC subsidiaries' undistributed retained earnings, no deferred tax liabilities was recognised because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group had unrecognised deferred tax assets arising from tax losses of approximately RMB742,000 (2014: RMB6,000) as at 31 December 2015. Tax losses of RMB23,000 (2014: RMB6,000) are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose. The remaining tax loss of RMB719,000 (2014: Nil) may be carried forward indefinitely. Deferred tax assets have not been recognised for such losses at the reporting date due to the unpredictability of future profit streams in the relevant subsidiaries in the PRC and/or Hong Kong.

11. INCOME TAX EXPENSE – continued

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

	2015 **RMB'000**	2014 RMB'000
Profit before income tax	**142,484**	98,782
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**36,914**	24,994
Tax effect of incomes not taxable for tax purpose	**(1,654)**	–
Tax effect of expenses not deductible for tax purpose	**449**	823
Utilisation of tax losses previously not recognised	**–**	(48)
Tax effect of tax losses not recognised	**123**	–
Withholding tax distributed profits of PRC subsidiaries	**1,128**	–
Income tax expense	**36,960**	25,769

12. DIVIDENDS

No dividend has been declared by the Company during the year (2014: Nil).

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2015 RMB'000	2014 RMB'000
Profit for the year attributable to the owners of the Company	**103,788**	73,013

	2015 Number of shares ('000)	2014 Number of shares ('000) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,046,621**	4,000,000
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**1,304**	–
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**4,047,925**	4,000,000
Basic earnings per shares (RMB cents)	**2.56**	1.83
Dilutive earnings per shares (RMB cents)	**2.56**	1.83

The weighted average number of shares for the purpose of calculating the basic earnings per share has been retrospectively adjusted for the effect of the share subdivision completed during the year ended 31 December 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2014	9,484	3,079	910	2,669	16,142
Additions	–	3,589	196	720	4,505
Disposals	–	(150)	–	–	(150)
Exchange realignment	–	9	–	–	9
At 31 December 2014 and at 1 January 2015	9,484	6,527	1,106	3,389	20,506
Additions	–	–	606	116	722
Additions through acquisition of subsidiaries *(Note 34)*	–	–	981	303	1,284
Disposals	–	–	(573)	–	(573)
Exchange realignment	–	27	–	–	27
At 31 December 2015	9,484	6,554	2,120	3,808	21,966
Accumulated depreciation:					
At 1 January 2014	891	1,582	555	1,521	4,549
Charge for the year	452	336	158	507	1,453
Write back on disposals	–	(150)	–	–	(150)
Exchange realignment	–	2	–	–	2
At 31 December 2014 and at 1 January 2015	1,343	1,770	713	2,028	5,854
Charge for the year	452	951	282	511	2,196
Write back on disposals	–	–	(501)	–	(501)
Exchange realignment	–	11	–	–	11
At 31 December 2015	1,795	2,732	494	2,539	7,560
Net carrying amount:					
At 31 December 2015	7,689	3,822	1,626	1,269	14,406
At 31 December 2014	8,141	4,757	393	1,361	14,652

15. PREPAID LAND LEASE

	2015 RMB'000	2014 RMB'000
At 1 January	**7,326**	7,733
Amortisation	**(407)**	(407)
At 31 December	**6,919**	7,326

16. RESTRICTED BANK DEPOSITS

Restricted bank deposits have maturities of one to three years as at 31 December 2015 (2014: one to three years). Such deposits have been pledged to certain banks as securities for the Group's facilities of providing financial guarantee services to customers and banking facilities related to finance lease business. The effective interest rates of the Group's restricted bank deposits as at 31 December 2015 ranged from 0.35% to 2.75% (2014: 0.35% to 3.5%) per annum. As at 31 December 2015, approximately RMB51,611,000 (2014: RMB75,260,000) of the balance were utilised for guarantee contracts entered.

As at 31 December 2014 and 2015, the Group's restricted bank deposits were denominated in RMB and kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

17. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	2015 RMB'000	2014 RMB'000
Non-current assets		
Finance lease receivables *(Note)*	**348,671**	49,647
Loan receivables	**31,920**	–
	380,591	49,647
Current assets		
Pawn loan receivables	**48,100**	46,850
Entrusted loan receivables	**371,800**	196,000
Finance lease receivables *(Note)*	**246,766**	68,247
Loan receivables	**84,200**	–
Receivables from guarantee customers	**32,009**	–
Account receivables	**7,221**	2,974
	790,096	314,071

Note: The finance lease receivables as of each reporting date are further analysed as follows:

	2015		2014	
	Minimum lease payments RMB'000	**Present value RMB'000**	Minimum lease payments RMB'000	Present value RMB'000
Not later than one year	**293,152**	**250,868**	79,025	68,247
Later than one year and not later than five years	**390,561**	**348,671**	52,627	49,647
	683,713	**599,539**	131,652	117,894
Unearned finance income	**(84,174)**	**–**	(13,758)	–
Present value of minimum lease payments	**599,539**	**599,539**	117,894	117,894
Less: Impairment allowance		**(4,102)**		–
		595,437		117,894

17. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each loan contract is normally not more than 5 years.

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

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

For loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The maturity date for each loan contract is normally not more than 2 years.

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

For receivables from guarantee customers, it represented the repayment paid to the banks on behalf of the guarantee customers. The guarantee customers are obliged to settle the amounts according to the term set out in relevant contracts and no credit period was granted to customers.

17. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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

	2015	2014
	% per month	% per month
Pawn loan receivables	**2.8 to 3.2**	2.8 to 3.2
Entrusted loan receivables	**1.5 to 1.8**	1.8
Finance lease receivables	**0.6 to 1.8**	0.8 to 1.5
Loan receivables	**1.0 to 2.0**	Nil

The Group has certain concentration risk on finance lease, loan and account receivables as it has three (2014: three) customers with outstanding balances of approximately RMB420,467,870 (2014: RMB146,278,000) as at 31 December 2015.

The directors of the Company consider that the fair values of loan and account receivables are not materially different from their carrying amounts.

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

	2015	2014
	RMB'000	RMB'000
0 to 30 days	**358,542**	174,799
31 to 90 days	**169,951**	82,062
91 to 180 days	**50,731**	36,044
Over 180 days	**591,463**	70,813
	1,170,687	363,718

17. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**1,116,925**	363,536
0 to 30 days past due	**9,759**	65
31 to 90 days past due	**22,631**	117
91-180 days	**11,278**	–
Over 180 days	**10,094**	–
	1,170,687	363,718

At 31 December 2015, finance lease, loan and account receivables of RMB1,116,925,000 (2014: RMB363,536,000) which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

The below table reconciled the impairment loss of Group's finance lease, loan and account receivables for the year:

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	**–**	–
Impairment loss recognised	**6,696**	–
Balance at end of the year	**6,696**	–

Included in the above provision for impairment of Group's finance lease, loan and account receivables is a provision for individually impaired Group's finance lease, loan and account receivables of approximately RMB2,594,000 with a carrying amount before provision of approximately RMB11,877,000. The individually impaired receivables related to customers that were slow in settlement and management assessed that only a portion of the receivables is expected to be recovered.

17. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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

	2015	2014
	RMB'000	RMB'000
Real estate	**429,067**	315,489
Movable property	**54,422**	–
Property rights	**534,181**	222,415
	1,017,670	537,904

As at 31 December 2015 and 2014, the finance lease receivables in respect of certain machineries, fishing vessels, motor vehicles and other assets are effectively secured by the underlying assets, as the rights to the machineries, fishing vessels, motor vehicles and other assets would be reverted to the Group in the event of default payment, and the deposits received from finance lease customers amounted to approximately RMB150,828,000 (2014: RMB30,848,000) (Note 22).

18. GOODWILL

During the year ended 31 December 2015, the Group recognised a goodwill arising from business combination as detailed in Note 34 of approximately RMB33,400,000, and was allocated to the cash-generating unit of finance leasing for impairment testing.

For the purposes of the goodwill impairment test, its recoverable amount was determined based on a value-in-use calculation, covering a detailed 5-year budget plan plus an extrapolated cash flow projections by applying a long term growth rate subsequent to this 5-year plan, with a pre-tax discount rate of 10.3%.

The key assumptions used in the budget plan are:

(i) Cash flow beyond the 5-year period are extrapolated using an estimated zero growth rate; and

(ii) That gross margins will be maintained at its current level throughout the 5-year budget plan.

The Group management's key assumptions have been determined based on past performance and its expectations for the market's development. The discount rate used is pre-tax and reflect specific risks relating to the relevant business.

The directors concluded that the cash-generating unit demonstrates sufficient cashflows that justify the carrying value of the goodwill and hence no impairment of goodwill is necessary as at 31 December 2015.

19. AVAILABLE-FOR-SALES FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Distressed assets	**81,500**	–

The available-for-sale financial assets are denominated in RMB and there is no public market for investments.

During the year ended 31 December 2015, a surplus arising on change in fair value of approximately RMB30,700,000 (2014: Nil) was recognised in other comprehensive income and accumulated in the financial assets revaluation reserve.

An analysis of financial instruments carried at fair value by level of fair value hierarchy was as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities, the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices (Level 1).

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of the available-for-sale financial assets of approximately RMB81,500,000 as at 31 December 2015 (2014: Nil) is a level 3 recurring fair value measurement. There were no transfers into or out of level 3 during the year. A reconciliation of the opening and closing Level 3 fair value balance is provided below.

	2015 RMB'000	2014 RMB'000
Opening balance (level 3 recurring fair value)	**–**	–
Additions	**121,800**	–
Disposal	**(71,000)**	–
Fair value gain recognised in other comprehensive income	**30,700**	–
	81,500	–

19. AVAILABLE-FOR-SALES FINANCIAL ASSETS – continued

The fair value of the Group's available-for-sale financial assets at 31 December 2015 was arrived at on the basis of valuations carried out on those dates by an independent firm of professional valuers not connected to the Group. The valuation techniques used in determining the fair value measurement of Level 3 financial instruments is arrived with discount cash flow approach with details as follows:

Financial assets	Fair value as at 31 December 2015 RMB'000	2014 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input(s) to fair value
Distressed debts assets	81,500	–	Level 3	Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts • Expected recovery date • Discount rates that correspond to the expected risk level	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepaid expenses	**1,149**	628
Deposits paid	**339**	201
Amounts paid for distressed assets	**62,000**	–
Other receivables	**19,667**	4,639
	83,155	5,468

The carrying amounts of deposits paid and other receivables approximate their fair values as these financial assets which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

21. CASH AND BANK BALANCES

Bank balances earn interest at floating rates based on daily bank deposit rates. All bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2015, the Group has cash and bank balances denominated in RMB amounting to approximately RMB87,928,000 (2014: RMB163,289,000) kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

22. ACCRUALS, OTHER PAYABLES, DEPOSITS RECEIVED AND DEFERRED INCOME

	2015	2014
	RMB'000	RMB'000
Current liabilities		
Accruals, other payables and deposits received	**30,783**	10,134
Business and other tax payables	**9,268**	3,725
Deposits received from finance lease customers *(Note 17)*	**57,250**	2,000
Deferred income	**8,821**	9,916
	106,122	25,775
Non-current liabilities		
Deposits received from finance lease customers *(Note 17)*	**93,578**	28,848
Deferred income	**106**	2,705
	93,684	31,553

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

23. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank borrowings:		
Unsecured	**195,399**	–
Secured	**148,029**	–
	343,428	–
Carrying amount repayable:		
Within one year	**124,837**	–
More than one year, but not exceeding two years	**97,256**	–
More than two year, but not exceeding five years	**121,335**	–
	343,428	–

The Group has variable interest-rate bank borrowings which carry interest ranging from 5.13% to 8.30% per annum (2014: Nil).

Bank borrowings with a carrying amount of approximately RMB148,029,000 are secured by finance lease receivables with carrying amount of RMB159,853,000 and bank deposit amounted to RMB2,840,000.

24. CORPORATE BONDS

	2015 RMB'000	2014 RMB'000
Corporate bonds	**16,800**	–

During the year ended 31 December 2015, the Group issued HK$ denominated corporate bonds of principal amount of HK$20,000,000 (equivalent to RMB16,400,000) bears interest at 5.5% per annum. The interests of the corporate bonds are payable semi-annually in arrears every year. The corporate bonds will mature on the eighth anniversary of the date of issue of the corporate bonds.

25. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of share capital HK$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary share of HK$0.0025 each			
At 1 January 2014 and 31 December 2014	5,000,000	50,000	39,000
Share subdivision *(Note (c))*	15,000,000	–	–
At 31 December 2015	20,000,000	50,000	39,000
Issued and fully paid:			
Ordinary share of HK$0.0025 each			
At 1 January 2014 and 31 December 2014	1,000,000	10,000	7,800
Issue of ordinary shares by placing *(Note (a))*	42,000	420	353
Issue of ordinary shares in respect of conversion of convertible bonds *(Note (b))*	17,002	170	139
Share subdivision *(Note (c))*	3,177,006	–	–
At 31 December 2015	4,236,008	10,590	8,292

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

(a) In connection with the placing, an aggregate of 42,000,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$3.70 per share on 16 October 2015.

(b) On 2 November 2015, approximately 17,002,000 shares were issued in respect of conversion of convertible bonds.

(c) On 30 November 2015, pursuant to the written resolutions passed by the shareholders of the Company, the authorised share capital of HK$50,000,000 was divided into 20,000,000,000 subdivided shares. All subdivided shares will rank pari passu with each other in all respects with the shares in issue prior to the share subdivision.

26. RESERVES

Group

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

Share premium

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

Capital reserve

As at 31 December 2015 and 2014, the capital reserve of the Group represented the registered capital of Differ Pawn amounting to RMB30,000,000 and the capital contribution from the owners of RMB228,000,000 and RMB19,562,000 during the year ended 31 December 2012 and 2013 respectively.

Merger and other reserves

As at 31 December 2015 and 2014, the merger and other reserves of the Group arose as a result of the reorganisation ("Reorganisation") carried amount by the Group to rationalise the Group's structure in preparation for the listing of the Company's shares and represented the difference between the nominal value of the registered capital of Differ International Financial Limited and the nominal value of the shares of the Company issued pursuant to the Reorganisation, as well as the gain/loss arising from partial disposal of subsidiaries without lose of control.

Statutory reserve

Statutory reserve represents appropriation of profits of the PRC subsidiaries to non-distributable reserve fund account as required by the relevant PRC statue.

Financial assets revaluation reserve

Financial assets revaluation reserve represents the gains/losses arising on the revaluation of available-for-sale financial assets.

Convertible bonds equity reserve

Convertible bonds equity reserve represents the amount of proceeds on issue of convertible bonds relating to the equity component (i.e. option to convert the debt into share capital).

26. RESERVES – CONTINUED

Company

	Share premium RMB'000	Contributed surplus (Note) RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	137,515	355,920	–	27	(4,252)	489,210
Loss for the year	–	–	–	–	(1,994)	(1,994)
Other comprehensive income for the year	–	–	–	3,580	–	3,580
Total comprehensive income for the year	–	–	–	3,580	(1,994)	1,586
At 31 December 2014 and 1 January 2015	137,515	355,920	–	3,607	(6,246)	490,796
Loss for the year	–	–	–	–	(5,863)	(5,863)
Other comprehensive income for the year	–	–	–	9,199	–	9,199
Total comprehensive income for the year	–	–	–	9,199	(5,863)	3,336
Issue of ordinary shares by placing	130,183	–	–	–	–	130,183
Share issue expenses	(2,098)	–	–	–	–	(2,098)
Issue of share in respect of conversion of convertible bonds	90,429	–	(37,425)	–	–	53,004
Recognition of equity component of convertible bonds	–	–	37,425	–	–	37,425
At 31 December 2015	356,029	355,920	–	12,806	(12,109)	712,646

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

27. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries		**446,492**	355,920
Current assets			
Prepayments		**378**	120
Amounts due from subsidiaries		**291,997**	143,587
Cash and bank balances		**300**	198
		292,675	143,905
Current liabilities			
Accruals and other payables		**731**	568
Amounts due to subsidiaries		**698**	661
		1,429	1,229
Net current assets		**291,246**	142,676
Total assets less current liabilities		**737,738**	498,596
Non-current liabilities			
Corporate bonds	24	**16,800**	–
Net assets		**720,938**	498,596
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**8,292**	7,800
Reserves	26	**712,646**	490,796
Total equity		**720,938**	498,596

On behalf of the Board

Hong Mingxian	**Cai Huatan**
Director	*Director*

28. INTEREST IN SUBSIDIARIES

Particulars of the principle subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
Differ International Financial Limited (鼎豐國際金融有限公司) *(Note (a))*	British Virgin Islands ("BVI")	1,100 ordinary shares of USD1 each	100%	–	Investment holding
Differ Financial Holdings Limited (鼎豐金融控股有限公司)	Hong Kong ("HK")	1 ordinary share of HK$1	–	100%	Investment holding
鼎豐集團(中國)有限公司 (Differ Group (China) Company Limited^) ("Differ Group (China)")	PRC	RMB288,000,000	–	100%	Investment holding and provision of entrusted loan and financial consultancy services
廈門鼎豐創業投資有限公司 (Xiamen Differ Venture Capital Company Limited^)	PRC	RMB30,000,000	–	100%	Investment holding and provision of entrusted loan services
鼎豐擔保股份有限公司 (Differ Guarantee Company Limited^)	PRC	RMB150,000,000	–	100%	Provision of guarantee services
Differ Pawn *(Note (e))*	PRC	RMB30,000,000	–	100%	Provision of pawn loan services
廈門鼎豐供應鏈發展有限公司 (Xiamen Differ Supply Chain Development Company Limited^)	PRC	RMB30,000,000	–	100%	Sale and exportation of enforced inventories

28. INTEREST IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
Dipro Company Limited (鼎保有限公司)	BVI	100 ordinary shares of USD1 each	100%	–	Investment holding
Differ Financial Development HK Limited (鼎豐金融發展有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Provision of guarantee services
Differ Asset Development Limited (鼎豐資產發展有限公司)	BVI	100 ordinary shares of USD1 each	100%	–	Investment holding
Differ Asset Group Limited (鼎豐資產集團有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Investment holding
廈門市鼎豐股權投資有限公司 (Xiamen Differ Capital Investment Company Limited^)	PRC	Registered capital of HK$500,000,000	–	100%	Investment holding
廈門市鼎豐資產管理有限公司 (Xiamen Differ Asset Management Company Limited^)	PRC	Registered capital of RMB500,000,000	–	100%	Provision of assets management services
Differ Network Development Limited (鼎豐網絡發展有限公司)	BVI	100 ordinary shares of USD1 each	100%	–	Investment holding
Differ Wealth Management Limited (鼎豐財富管理有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Provision of wealth management services
Differ Wealth Consultant Limited (鼎豐財富顧問有限公司)	BVI	100 ordinary shares of USD1 each	100%	–	Investment holding
Differ Capital Financial HK Limited (鼎豐融資理財有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Provision of financing services

28. INTEREST IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
Differ Company Limited	BVI	100 ordinary shares of USD1 each	100%	–	Investment holding
Jiashi Financial Limited ("Jiashi Financial") (嘉實金融有限公司) *(Note (b))*	BVI	100 ordinary shares of USD1 each	–	63% (2014: Nil)	Investment holding
Differ Development Limited (鼎豐發展有限公司)	BVI	100 ordinary shares of USD1 each	–	63% (2014: Nil)	Investment holding
Differ Financial Leasing Company Limited (鼎豐金融租賃有限公司)	HK	10,000 ordinary shares of HK$1 each	–	63% (2014: Nil)	Investment holding
廈門市鼎豐融資租賃有限公司 (Xiamen Differ Financial Leasing Company Limited^)	PRC	HK$128,000,000	–	63% (2014: 100%)	Provision of finance lease services
廈門市鼎豐財務諮詢有限公司	PRC	Registered capital of RMB500,000	–	63% (2014: Nil)	Provision of financial consultancy services
Jiashi International Financial Limited ("JIFL") (嘉實國際金融有限公司) *(Note (c))*	BVI	101 ordinary shares of USD1 each	–	63% (2014: Nil)	Investment holding
Jiashi Leasing Group Company Limited (嘉實租賃集團有限公司) *(Note (d))*	HK	HK$156,000,000	–	63% (2014: Nil)	Investment holding
嘉實(廈門)融資租賃有限公司 (Jiashi (Xiamen) Finance Lease Limited^)	PRC	USD20,000,000	–	63% (2014: Nil)	Provision of finance lease services
廈門嘉實智信諮詢服務有限公司 (Xiamen Jiashi Zhixin Consultant Services Limited^)	PRC	RMB100,000	–	63% (2014: Nil)	Provision of financial consultancy services

28. INTEREST IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
嘉實(廈門)資產管理有限公司 (Jiashi (Xiamen) Asset Management Limited^)	PRC	Registered capital of RMB30,000,000	–	63% (2014: Nil)	Provision of assets management services
廈門嘉實智通信息諮詢有限公司 (Xiamen Jiashi Zhitong Information Consultancy Limited^)	PRC	RMB100,000	–	63% (2014: Nil)	Provision of financial consultancy services
Differ Supply Chain Development Group Limited (鼎豐供應鏈發展集團有限公司)	BVI	100 ordinary shares of USD1 each	100%	–	Investment holding
Differ Supply Chain HK Limited (鼎豐供應鏈有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Sale and exportation of enforced inventories

Notes:

(a) Formerly known as RongXin Company Limited

(b) Formerly known as 鼎豐金融有限公司 (Differ Financial Limited^)

(c) Formerly known as 嘉實發展有限公司 (Jiashi Development Limited^)

(d) Formerly known as 富嘉國際發展有限公司 (Full Star International Development Limited ^)

(e) Although the Company does not directly or indirectly hold any of the registered capital of Differ Pawn, the structured agreements ("Structured Agreements") entered into by the subsidiary of the Company, Differ Group (China) (formerly known as 鼎豐控股(廈門)有限公司), Differ Pawn and Differ Pawn's registered shareholders on 16 July 2012 altogether enable the Company to exercise control over Differ Pawn. The Structured Agreements, taken as a whole, permit the financial results of Differ Pawn and economic benefits of its business to flow to Differ Group (China). In addition, all the directors and top management in Differ Pawn should be assigned by Differ Group (China). Through the Structured Agreements, Differ Group (China) is able to control Differ Pawn so that Differ Pawn is regarded as a subsidiary of the Group.

^ The English names are for identification only.

29. NON-CONTROLLING INTERESTS

Jiashi Financial, a 63% owned subsidiaries of the Company (2014: 100%), has material non-controlling interests.

Summarised financial information in relation to the non-controlling interests of Jiashi Financial and its subsidiaries, before intra-group eliminations, is presented below:

Summarised statement of financial position

	2015 RMB'000	2014 RMB'000
Current		
Assets	435,032	N/A
Liabilities	(213,209)	N/A
	221,823	N/A
Non-current		
Assets	349,927	N/A
Liabilities	(312,170)	N/A
	37,757	N/A
Net assets	259,580	N/A
Accumulated non-controlling interests	96,044	N/A

29. NON-CONTROLLING INTERESTS – CONTINUED

Summarised statement of comprehensive income

	2015 RMB'000	2014 RMB'000
Revenue	**16,291**	N/A
Profit before income tax	**7,051**	N/A
Income tax expense	**(2,335)**	N/A
Profit before tax	**4,716**	N/A
Other comprehensive income	**–**	N/A
Total comprehensive income for the period	**4,716**	N/A
Profit allocated to non-controlling interests	**1,736**	N/A

Summarised statement of cash flows

	2015 RMB'000	2014 RMB'000
Cash used in operations	**(104,489)**	N/A
Income tax paid	**(580)**	
Net cash used in operating activities	**(105,069)**	N/A
Cash flow from investing activities		
Net cash generated from investing activities	**91,148**	N/A
Cash flow from financing activities		
Net cash generated from financing activities	**42,120**	N/A
Net increase in cash and cash equivalents	**28,199**	N/A

30. COMMITMENTS

(i) Operating lease commitments

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

	2015	2014
	RMB'000	RMB'000
Within one year	**2,008**	1,051
Later than one year and not later than five years	**4,246**	1,894
	6,254	2,945

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

(ii) Capital commitments

As at 31 December 2015, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB530,500,000 (2014: Nil).

31. RELATED PARTY DISCLOSURES

(i) Compensation of key management personnel

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

	2015	2014
	RMB'000	RMB'000
Short-term employee benefits	**3,141**	2,334
Pension scheme contributions	**64**	50
	3,205	2,384

(ii) Balances and transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had no transactions with related parties for the year ended 31 December 2015 and 2014.

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2015 RMB'000	2014 RMB'000
Financial assets		
Available-for-sale financial assets	**81,500**	–
Loans and receivables		
Finance lease, loan and account receivables	**1,170,687**	363,718
Deposits and other receivables	**20,006**	4,840
Restricted bank deposits	**97,108**	96,112
Cash and bank balances	**89,510**	164,579
	1,377,311	629,249
	1,458,811	629,249
Financial liabilities		
At amortised costs		
Accruals, other payables and deposits received	**181,004**	40,490
Bank borrowings	**343,428**	–
Corporate Bonds	**16,800**	–
	541,232	40,490

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise available-for-sale financial assets, finance lease, loan and account receivables, deposits paid, other receivables, restricted bank deposits, cash and bank balances, accruals, other payables, deposits received, bank borrowings and corporate bonds. These financial instruments mainly arise from its operations.

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

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

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

Interest rate risk

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk – continued

The interest rates of the above interest-bearing financial assets and financial liabilities of the Group are disclosed in Notes 16, 21 and 23 respectively. The following table illustrates the sensitivity of profit after income tax for the year to a reasonably possible change in interest rates of 0.5%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's floating rate financial instruments held at the reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	2015		2014	
	RMB'000	**RMB'000**	RMB'000	RMB'000
	+0.5%	**–0.5%**	+0.5%	–0.5%
(Decrease)/increase (2014: increase/(decrease)) in profit after income tax for the year	**(589)**	**589**	978	(978)

Credit risk

It is the Group's policy that all customers who wish to obtain loans from the Group are subject to management review. Receivable balances are monitored on an ongoing basis. The Group holds collateral directly or indirectly to cover its risks associated with loan and account receivables.

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

At the reporting date, the Group's exposure under outstanding loans and receivables were secured by the collateral of the customers as disclosed in Notes 17 and 22.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

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

	2015 **RMB'000**	2014 RMB'000
Real estate	**186,563**	236,787
Inventories	**586,688**	631,490
Machinery	**10,937**	63,271
Motor vehicles	**5,855**	–
Property rights	**–**	2,050
	790,043	933,598

The Group also has investments in distressed assets classified as available-for-sales financial assets which contain certain elements of credit risk. Depending on the status of the obligor of distressed asset, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. To minimise the credit risk of distressed assets, the Group selects counterparties with appropriate creditworthiness and repayment capacity. At the reporting date, the Group's maximum exposure in distressed assets equal to the carrying amount of these assets as disclosed in Note 19.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk

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

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000
At 31 December 2015						
Accruals, other payables and deposits received	181,004	181,004	87,426	16,356	77,222	–
Bank borrowings	343,428	383,946	143,815	108,864	131,267	–
Corporate bonds	16,800	23,843	924	924	2,772	19,223
	541,232	588,793	232,165	126,144	211,261	19,223
Financial guarantees issued						
Maximum amount guaranteed	344,630	344,630	344,630	–	–	–
At 31 December 2014						
Accruals, other payables and deposits received	40,490	40,490	11,642	22,448	6,400	–
Financial guarantees issued						
Maximum amount guaranteed	477,300	477,300	477,300	–	–	–

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Capital management

The Group's capital management objectives include:

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

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

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

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

The capital structure of the Group consists of net debts, which include the bank borrowings, corporate bonds and net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated the share capital. The Group will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Capital management – continued

The net debts-to-equity ratios at 31 December 2015 and 2014 were as follows:

	2015 RMB'000	2014 RMB'000
Bank borrowings	**343,428**	–
Corporate bonds	**16,800**	–
	360,228	–
Less: Cash and bank balances	**(89,510)**	(164,579)
Restricted bank deposits	**(97,108)**	(96,112)
Net debts	**173,610**	(260,691)
Equity	**901,795**	580,548
Net debts to equity ratio	**19.3%**	N/A

34. ACQUISITION OF SUBSIDIARIES

On 26 October 2015, Jiashi Financial completed an acquisition of 100% equity interests in JIFL and the loans from JIFL's shareholders to JIFL of RMB128,297,000. The acquisition consideration was satisfied by: (a) the issue of convertible bonds of the Company with principal amount of approximately HK$76,545,000; and (b) 37% equity interest in Jiashi Financial. The acquisition was made as the directors believe the growth prospects for finance lease business are bright and can widen the Group's revenue base.

The fair value of identifiable assets and liabilities of JIFL and its subsidiaries, excluding shareholders' loans of RMB128,297,000, as at the acquisition date were:

	RMB'000
Property, plant and equipment	1,284
Finance lease receivables	537,635
Prepayments, deposits and other receivables	85,479
Cash and bank balances	13,698
Accruals, other payables, deposits received and deferred income	(193,130)
Tax payables	(533)
Bank borrowings	(301,309)
	143,124

Net cash inflow arising from the acquisition was calculated as follows:

	RMB'000
Cash and bank balances acquired	13,698

34. ACQUISITION OF SUBSIDIARIES – continued

Upon the completion of acquisition, JIFL became a 63% owned subsidiary of the Group. The excess of fair value of consideration over the fair value of the net assets acquired is accounted for as goodwill and is calculated as below:

	RMB'000	RMB'000
Fair value of total consideration transferred *(Note)*		123,568
Net assets acquired	(143,124)	
Less: Non-controlling interests in relation to the assets acquired	52,956	(90,168)
Goodwill		33,400

Note: The fair value of total consideration transferred comprised of: (a) the fair value of the convertible bonds issued by the Company of approximately RMB90,568,000 as estimated by an independent professional valuer (Note 35); and (b) the fair value of 37% equity interest of Jiashi Financial of approximately RMB33,000,000 as estimated by an independent professional valuer, based on the market valuation approach.

The fair value of finance lease receivables, prepayments, deposits and other receivables is considered as fully recoverable.

Profit for the year includes a profit of approximately RMB4,716,000 attributable to the business of JIFL and its subsidiaries which generated total revenue of approximately RMB16,291,000 for the period since acquisition.

Had the acquisition been completed on 1 January 2015, the Group's revenues and profit for the year would have been approximately RMB214,074,000 and RMB106,049,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

35. CONVERTIBLE BONDS

On 26 October 2015, the Company issued certain zero couple convertible bonds with a principal amount of approximately HK$76,545,000 in connection with the acquisition of JIFL (Note 34). The bonds are convertible at the option of the bondholders into ordinary shares of the Company at an initial conversion price of HK$4.502 between the periods from 26 October 2015 to 25 October 2018.

The convertible bonds have been split into the liability and equity component with the movements as follows:

	Liability component RMB'000	**Equity component** RMB'000	**Total** RMB'000
Issuance during the year	53,143	37,425	90,568
Conversion into ordinary shares	(53,143)	(37,425)	(90,568)
Balance at the end of year	–	–	–

The fair value of the liability component was estimated by an independent professional valuer firm at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The fair value of the equity component was estimated by the same valuer firm by binomial model.