Differ Group Holding Company Limited

鼎豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8056

Annual Report
2014

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTORS:

Mr. CAI Jianfeng
Mr. WU Qinghan

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

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

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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
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PRINCIPAL BANKERS

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

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

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

08056

RESULTS

	Year ended 31 December			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**118,091**	76,066	56,416	21,244
Other income	**4,664**	5,260	3,224	2,059
Employee benefit expenses	**(9,867)**	(7,739)	(5,287)	(3,362)
Depreciation and amortisation expenses	**(1,860)**	(2,006)	(1,817)	(825)
Operating lease expenses	**(807)**	(326)	(313)	(900)
Other expenses	**(11,439)**	(15,056)	(10,050)	(4,269)
Finance costs	**–**	–	(526)	(229)
Profit before income tax	**98,782**	56,199	41,647	13,718
Income tax expense	**(25,769)**	(15,963)	(10,409)	(3,667)
Profit for the year attributable to the owners of the Company	**73,013**	40,236	31,238	10,051

ASSETS AND LIABILITIES

	As at 31 December			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**651,855**	549,156	352,900	289,431
Total liabilities	**(71,307)**	(41,345)	(40,520)	(16,510)
Net assets	**580,548**	507,811	312,380	272,921
Equity attributable to the owners of the Company	**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 to our shareholders the annual report of Differ Group Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

For the year 2014, we are very delighted with the remarkable business growth of the Group within just one year after listing. During the year under review, the Group has achieved a record high revenue of approximately RMB118.1 million, representing a tremendous growth of approximately 55.2% as compared with the last year. Increased revenue and profit are primarily attributable to our higher revenue generated from our financial consultation services and entrusted loans services. During 2014, many small and medium enterprises ("SMEs") still face difficulties in obtaining loans from traditional banks in China. The Group targets these quality SMEs customers by providing convenient and effective financing solutions to support their business growth, which presents enormous business opportunities.

As the first Hong Kong-listed financial service group from the West Side of Taiwan Strait, the Group is highly confident about our prospects in the Chinese loan market. We continue to strengthen the foundation of our existing financing and consultation services businesses and also actively develop new businesses to respond to emerging development trends of the finance market such as internet finance thereby boosting our competitive advantages. In view of this, with the increasing needs of commercial banks to dispose of distressed assets and the ongoing balance sheet de-leveraging undertaken by city and rural commercial banks and credit cooperatives, the Group has announced the commencement of the distressed asset management business on 5 January 2015 in order to capture the opportunities presented by the abundant supply of distressed assets in Fujian.

Apart from the distressed asset management business, P2P loans and internet microfinance are expected to become the Group's new development focuses in the future. The Group believes that entering the internet finance segment will not only enrich our financing service portfolio, but will also expand our customer base by linking up borrowers and lenders nationwide beyond the constraints of geographical boundaries. In addition, the Group has obtained a licence to start a money lending business in Hong Kong in the future. The Group has been conducting preliminary studies on the aforesaid businesses and examining their potential advantages and the synergies with its existing businesses. Looking ahead, while actively exploring new businesses opportunities, the Group also plans to extend its business reach and expand service coverage to lay a foundation for our long-term development. These strategic directions aim to capture new business opportunities in the market and contribute satisfactory long-term returns to our shareholders.

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, investors, customers and business partners for their strong support to our Group. I would also like to express our sincere appreciation to our management team and other staff members of the Group for their dedicated efforts and contributions.

EXECUTIVE DIRECTORS

Mr. HONG Mingxian (洪明顯), aged 40, 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) (廈門市思明區工商聯（商會）) and the managing vice chairman of Economic Promotion Association for Overseas Chinese with Hometown in Xiamen (廈門市僑鄉經濟促進會). Mr. Hong has about 8 years' experience in corporate management before he joined the Group in September 2008. From August 2007 and September 2009, Mr. Hong worked at a property development company based in Jiangsu Province, PRC and last held the position of executive director.

Mr. NG Chi Chung (吳志忠), aged 42, 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 55, was appointed as an executive Director on 26 November 2013. Mr. Cai is the compliance officer of our Company. He is also responsible for overall expanding strategy formulation of our Group. Mr. Cai graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in 1996. Before he joined the Group in September 2008, Mr. Cai has approximately 30 years of experience in management and public administration. From 1980 to 2005, Mr. Cai worked for various departments of the governments of Shishi and Quanzhou.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

NON-EXECUTIVE DIRECTORS

Mr. CAI Jianfeng (蔡劍鋒), aged 47, 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 51, 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 56, 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 52, 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 40, 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 32, is the chief operations officer of our Group and is responsible for the daily operation of our Group. Mr. Cai had about 5 years of experience in the finance industry before he joined our Group in February 2012. He is the son-in-law of Mr. Cai Huatan.

Mr. TAM Wai Tak Victor (譚偉德), aged 37, is the financial controller and company secretary of our Group. Mr. Tam joined our Group in late January 2013. He is responsible for financial reporting and company secretarial matters of our Group. Mr. Tam graduated with a bachelor of arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

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

Mr. TONG Yuqiang (佟玉強), aged 43, is the general finance manager of our Group and is responsible for the accounting and financial management of our Group. Mr. Tong is a member of the Chinese Institute of Certified Public Accountants. Mr. Tong obtained a diploma in industrial accounting in 1992 from Sichuan Industrial Institute (四川工業學院) (now known as Xihua University (西華大學)). Before joining our Group in February 2012, Mr. Tong had about 20 years' experience in accounting, financial management and corporate management in various corporations in the PRC.

Mr. CHU Sung Fai (朱宋輝), aged 57, is our chief operating officer in pawn business and is responsible for the overall pawn business management of the Group. Mr. Chu obtained a diploma in management in 1983 from the Open University of Fujian (福建廣播電視大學) (a long distance learning course). Before joining our Group in 2011, Mr. Chu had about 12 years' experience working at managerial positions in two real estate companies in the PRC.

Mr. WANG Keke (王可珂), aged 42, is our assistant general manager in guarantee business and is responsible for the overall guarantee business management of the Group. Mr. Wang obtained a diploma in commerce and finance in 1995 from Xiamen University (廈門大學). Mr. Wang had taken various managerial positions in a PRC bank and three guarantee companies since 1995 before he joined our Group in July 2014.

BUSINESS REVIEW

As an integrated financing service provider, the Group mainly provide short to medium-term financing and financing-related solutions in Fujian Province. During the year ended 31 December 2014, the revenue was mainly derived from the provision of (i) guarantee services, (ii) pawn loan services, (iii) financial consultation services, (iv) entrusted loan services and (v) finance lease services to our customers.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately RMB76.1 million for the year ended 31 December 2013 to approximately RMB118.1 million for the year ended 31 December 2014, representing an increase of approximately RMB42.0 million or 55.2%. The increase was attributable to the net effect of the following reasons:

Guarantee services

Our Group continued to expand our guarantee services in our home market in Fujian Province. We mainly provided the financing guarantee services during the years ended 31 December 2013 and 2014. During the year 2014, the PRC banks have adopted a relatively tight credit policy in granting loans to small and medium enterprises ("SMEs"). The PRC banks are generally more willing to lend to SMEs whose borrowings are guaranteed by licensed financing guarantee companies. As such, more SMEs needed our financial guarantee services.

Our Group's guarantee service income increased by 5.3% from approximately RMB14.9 million for the year ended 31 December 2013 to approximately RMB15.7 million for the year ended 31 December 2014. The increase in income from our guarantee services was mainly attributable to the increase of the number of financing guarantee contracts with revenue contribution from 170 for the year ended 31 December 2013 to 192 for the year ended 31 December 2014.

Pawn loan services

Our Group continued to use the registered capital of RMB30.0 million and part of the retained profit of its subsidiary, Fujian Differ Pawn Company Limited ("Differ Pawn") for the expansion of our pawn loan business. During the year 2014, approximately RMB6.1 million (being part of the net profit of Differ Pawn for the year ended 31 December 2013) was kept by Differ Pawn as capital for the development of pawn loan business.

Our Group's pawn loan service income increased by 16.3% from approximately RMB12.7 million for the year ended 31 December 2013 to approximately RMB14.8 million for the year ended 31 December 2014. The increase in pawn loan service income was mainly attributable to the following reasons:

(i) the number of pawn loan contracts with revenue contribution increased from 54 for the year ended 31 December 2013 to 55 for the year ended 31 December 2014; and

(ii) the total amount of pawn loans granted under new or renewed contracts increased from approximately RMB95.6 million for the year ended 31 December 2013 to RMB105.4 million for the year ended 31 December 2014.

Financial consultation services

During the year 2014, more effort was made to expand our financial consultation business as the Directors believe that there were plenty of business opportunities in Fujian Province. In view of the tight credit environment in the PRC banking sector, more customers have sought our Group's financial consultation services in assisting them to obtain financing from PRC banks. As such, we put more focus on financial consultation services which charge our customers based on certain percentage, which ranged from 2.5% to 3.0%, of the amount of financing obtained by the customers as a result of our consultation ("Project Based Consultation Services"). For the year ended 31 December 2014, we had successfully assisted our customers in obtaining financing from banks of approximately RMB1.4 billion in total.

As such, the financial consultation service income of our Group increased sharply from approximately RMB19.7 million for the year ended 31 December 2013 to approximately RMB37.2 million for the year ended 31 December 2014. The increase in financial consultation service income was mainly due to the increase in the number of Project Based Consultation Services from 16 for the year ended 31 December 2013 to 31 for the year ended 31 December 2014.

Entrusted loan services

In light of the growth of the PRC economy and strong demand for financing services from SMEs, the Group continued to expand the entrusted loan business by inject funding to its subsidiary, Differ Group (China) Company Limited ("Differ Group (China)"). The capital injection of RMB60.0 million to Differ Group (China), by using of proceeds from the placing, has been completed in January 2014. The increase in the working capital of Differ Group (China) allows the Group to grant more entrusted loans to customers and thereby generated more entrusted loan interest income during the year.

Our Group's entrusted loan service income increased by 77.6% from approximately RMB22.0 million for the year ended 31 December 2013 to RMB39.1 million for the year ended 31 December 2014. The increase in entrusted loan service income was mainly due to (i) the increase in outstanding entrusted loan receivables from RMB115.0 million as at 31 December 2013 to RMB196.0 million as at 31 December 2014 and (ii) total amount of new or renewed entrusted loans granted increased from approximately RMB319.0 million for the year ended 31 December 2013 to RMB489.0 million for the year ended 31 December 2014.

Finance lease services

During the year 2014, the Group further developed our finance lease business. The capital injection to the Group's PRC subsidiary, Xiamen Differ Financial Leasing Company Limited ("Differ Lease"), has been completed in December 2013 by making use of proceeds from the placing. The increase of the registered capital of Differ Lease to HK$128.0 million allows the Group to provide more financing to our customers of finance lease services and therefore more finance lease service income was generated.

For the year ended 31 December 2013 and 2014, our Group's finance lease service income was approximately RMB6.7 million and RMB11.3 million respectively. For the year ended 31 December 2014, we have 14 finance lease transactions with revenue contribution as compared with only 8 transactions in 2013.

Other income

Other income decreased from approximately RMB5.3 million for the year ended 31 December 2013 to approximately RMB4.7 million for the year ended 31 December 2014, representing a decrease of approximately RMB0.6 million or 11.3%. Our Group's other income mainly represented bank interest income and the government grants. The decrease in other income was mainly due to the decrease in government grant in support of our Group's financial service business from approximately RMB3.9 million for the year ended 31 December 2013 to approximately RMB2.8 million for the year ended 31 December 2014.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB7.7 million for the year ended 31 December 2013 to approximately RMB9.9 million for the year ended 31 December 2014, representing an increase of approximately RMB2.2 million or 27.5%. Our Group's employee benefit expenses mainly comprised staff salaries, Directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase in Directors' remuneration (including non-executive Directors and independent non-executive Directors) and other staff salaries as our Group hired more staff for business expansion.

Other expenses

The other expenses decreased from approximately RMB15.1 million for the year ended 31 December 2013 to approximately RMB11.4 million for the year ended 31 December 2014, representing a decrease of approximately RMB3.7 million or 24.0%. The decrease in other expenses was mainly attributable to absence of listing expenses for the year ended 31 December 2014 which was partly offset by the increase of various operating expenses due to business expansion.

Profit for the year attributable to the owners of the Company

Our Group's profit for the year ended 31 December 2014 was approximately RMB73.0 million, representing an increase of approximately RMB32.8 million, or 81.5%, from approximately RMB40.2 million for the year ended 31 December 2013.

OUTLOOK

In 2014, the PRC banks have been adopting a tight credit policy which increases the difficulties in obtaining financing by SMEs from banks. Under the prevailing restrictive credit environment, the Directors believe the demand of our Group's guarantee, pawn loans, entrusted loans, financial consultation and finance lease services will continue to grow in 2015. At the same time, the Group has strengthened the risk management measures and steps on granting new loans and guarantees to customers.

Looking forward, Fujian Province has its unique advantages due to its rich material and human resources and it has become the second batch of free-trade zone following Shanghai. The Directors believe that the PRC Central Government will take steps to expedite the social and economic development of Fujian Province. The Board has an optimistic view on the Group's existing businesses. In addition, the Group commenced distressed asset management business in January 2015 in order to capture the opportunities brought by the abundant supply of distressed asset in Fujian Province. The Board also considers that the Group's experiences in undertaking approval and due diligence procedures when granting loans to its customers in its ordinary and usual course of business (such as assessing the quality and value of the collateral and guarantees, the source of funds for repayments, the business conditions and creditworthiness of the borrowers and guarantors, etc.) give the Group an advantage in assessing the quality and value of the distressed assets. The Board further considers that the Group's existing client base and its network of cooperating banks in Fujian Province give the Group an advantage in locating buyers and sellers of distressed assets. Besides, having considered the potential merits of certain new financing and financing solution businesses, including P2P, internet microfinance business and money lending business in Hong Kong (collectively, the "New Businesses"), the Group has been conducting preliminary studies on the New Businesses and examining their potential advantages and the synergies with our existing businesses.

In conclusion, the Group will closely monitor and assess the existing and potential businesses and strive to capture opportunities to create value for our shareholders.

ADVANCE TO AN ENTITY

Pursuant to Rule 17.15 of the GEM Listing Rules, a general disclosure obligations arises where an advance to an entity from the Group exceeds 8% of the total assets of the Group. Pursuant to Rule 17.22 of the GEM Listing Rules, details of advances as defined under Rule 17.15 of the GEM Listing Rules which remained outstanding as at 31 December 2014 were as follow:

1) **Entrusted Loan Agreement dated 24 October 2014 ("Entrusted Loan Agreement A")**

   Entrusted Loan Agreement A was granted by Xiamen Differ Venture Capital Company Limited ("Differ VC"), an indirect wholly-owned subsidiary of the Company to 廈門九天豪杰實業有限公司 (Xiamen Jiu Tian Hao Jie Industrial Limited) ("Customer A") through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB50,000,000 for the purpose of lending the same to Customer A for a term of 6 months.

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

Principal amount:	RMB50,000,000
Interest rate:	1.8% per month
Loan period:	as mentioned above
Repayment:	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 a piece of residential land in the PRC which is valued by an independent valuer at approximately RMB137,831,000;

(ii) personal guarantees of one individual; and

(iii) corporate guarantee of two companies which are principally engaged in real estate development in the PRC.

2) Entrusted loan agreement dated 4 December 2014 ("Entrusted Loan Agreement B1") and entrusted loan agreement dated 24 December 2014 ("Entrusted Loan Agreement B2)

Entrusted Loan Agreement B1 was granted by Differ VC to 廈門倫輝貿易有限公司 (Xiamen Lun Hui Trading Limited) ("Customer B") through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB25,000,000 for the purpose of lending the same to Customer B for a period from 6 December 2014 to 5 June 2015.

In addition, Entrusted Loan Agreement B2 was granted by Differ VC to Customer B through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB25,000,000 for the purpose of lending the same to Customer B for a period from 26 December 2014 to 25 June 2015.

The aggregate principal amount of Entrusted Loan Agreement B1 and Entrusted Loan Agreement B2 was RMB50,000,000.

The principal terms of Entrusted Loan Agreement B1 and Entrusted Loan Agreement B2 are as follows:

Aggregate principal amount:	RMB50,000,000
Interest rate:	1.8% per month
Loan period:	as mentioned above
Repayment:	Customer B shall repay the interests on a monthly basis and the principal amount at the end of the loan period

Security and guarantees:

The pledge of the equity rights from two shareholders of Customer B which is valued by an independent valuer at approximately RMB58,802,000.

3) Finance lease agreement dated 27 November 2014 (the "Finance Lease Agreement")

The Finance Lease Agreement was entered into between Differ Lease (as the lessor) and 福建景發吊裝有限公司 (Fujian Jingfa Lifting Co., Ltd) ("Customer C") (as the lessee). Pursuant to the Finance Lease Agreement, Differ Lease has agreed among other things, (i) to purchase certain machineries from Customer C at an aggregate consideration of RMB50,000,000; (ii) to lease such machineries back to Customer C immediately afterwards for a period of approximately 2 years for a series of rental payments payable by Customer C to Differ Lease on a monthly basis; and (iii) to transfer the ownership of such machineries to Customer C at the end of the lease period at a nominal consideration of RMB100.

The principal terms of the Finance Lease Agreement are as follows:

Amount of financing provided by Differ Lease to Customer C:	RMB50,000,000
Aggregate amount of rental payment (inclusive of handling fee and value-added tax):	RMB58,473,000
Lease period:	24 months
Ownership of the leased property at the end of lease period:	To be transferred to Customer C at a nominal consideration of RMB100
Internal rate of return:	13.4% (annualized)

Security and guarantees:

Customer C has provided the following security and guarantees to Differ Lease under the Finance Lease Agreement:

(i) a cash deposit in the amount of RMB10,000,000 received by Differ Lease; and

(ii) personal guarantees of 6 individuals who are related to Customer C.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities (2013: Nil).

CAPITAL COMMITMENT

As at 31 December 2014, the Group did not have any capital commitments contracted but not provided for in the financial statements (2013: 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

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

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

HUMAN RESOURCES

As at 31 December 2014, the Group had a total of 106 employees (2013: 105). The staff costs (including Directors' emoluments) were approximately RMB9.9 million for the year ended 31 December 2014 (2013: RMB7.7 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

During the year ended 31 December 2014, the Company has not granted any share options to its employees or Directors under the share option scheme of the Company adopted on 26 November 2013. The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund Scheme and insurance for its employees in Hong Kong.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB252.8 million (2013: RMB298.6 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was nil as at 31 December 2014 (2013: Nil). The current ratio is 14.4 times as at 31 December 2014 (2013: 18.8 times). During the year, the Group did not use any financial instruments for hedging purpose.

MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

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

	2014 **RMB'000**	2013 RMB'000
Financial guarantee issued		
Maximum amount guaranteed	**477,300**	503,678

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:

	2014 **RMB'000**	2013 RMB'000
Real estate	**236,787**	186,285
Inventories	**631,490**	684,368
Machinery	**63,271**	117,891
Motor vehicles	**–**	2,448
Property rights	**2,050**	2,050
	933,598	993,042

In respect of the Group's financing guarantee business, we did not experience any default by our customers resulting in our Group having to honour our financing guarantee obligations during the years ended 31 December 2014 and 2013.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives for the period from 25 November 2013 to 31 December 2014 as stated in the prospectus (the "Prospectus") of the Company dated 3 December 2013	**Actual business progress for the period from 25 November 2013 to 31 December 2014**
1. Further development of our finance lease business	
– Fully contribute the outstanding registered capital of 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) or Differ VC	– The capital injection to Differ Group (China) of RMB60.0 million (equivalent to approximately HK$77.1 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 2014, 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 2014 HK$' million	Actual use of proceeds from 25 November 2013 to 31 December 2014 HK$' 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	2.2	2.0
5.	Net proceeds reserved for general working capital	5.7	5.9

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 than expected, 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 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2014.

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.

The proceeds from the Company's issue of 250,000,000 new shares at the time of the Listing amounted to approximately HK$173.8 million; net of underwriting fees and other listing expenses. For further details of the use of proceeds, please refer to the section headed "Use of Proceeds" on page 16 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 90 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past four 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 2014 are set out in note 15 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 2014 amounted to approximately RMB131.3 million (2013: RMB133.3 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 2014.

MAJOR CUSTOMERS

For the year ended 31 December 2014, the percentage of revenue attributable to the Group's major customers are as follows:

Revenue

– The largest customer	7.3%
– The total of five largest customers	32.9%

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

DIRECTORS

The Directors of the Company 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. Ng Chi Chung, Mr. Cai Jianfeng and Mr. Chan Sing Nun will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM").

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in "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 10 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 2014 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme was adopted by the Company on 26 November 2013, the principal terms of which are set out in the paragraph headed "Share Option Scheme" under the section headed "Statutory and General Information" of the Prospectus. 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 2014.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year are set out in note 28 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 20 of the GEM Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the announcement and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of the transactions contemplated under the Structured Agreements.

The Structured Agreements (as defined in the Prospectus) were entered into in order to enable our Group to manage the business of Fujian Differ Pawn Company Limited ("Differ Pawn") in the PRC, under which all the business, financial and operating activities of Differ Pawn are managed by Differ 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).

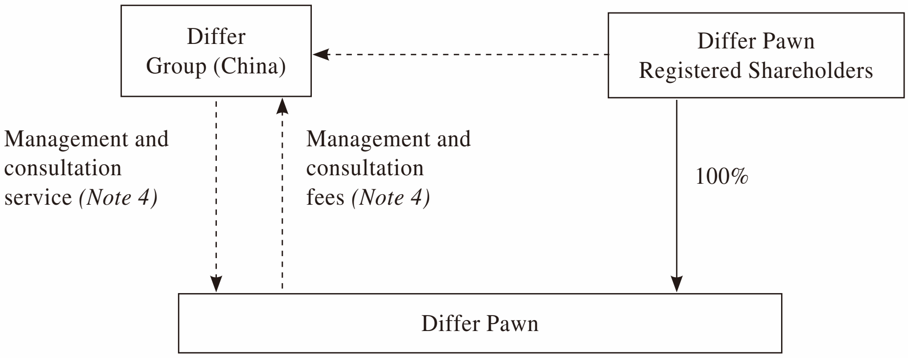
The following simplified diagram illustrates the flow of economic benefits from Differ Pawn to Differ Group (China) stipulated under the Structured Agreements:

(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 2014, Differ Group (China) was entitled to management and consultation fees of RMB7,707,107 (2013: RMB7,731,747) from Differ Pawn in a manner as prescribed in the exclusive management and consulting services agreement on 16 July 2012. The management and consultation fees payable by Differ Pawn to Differ Group (China) are equivalent to the total revenue less all the related costs, expenses and taxes as extracted from the audited financial statements of Differ Pawn for the year ended 31 December 2014 ("Audited Financial Statements"). Pursuant to a resolution passed by the Company's board of Directors on 29 January 2015, the management fee of RMB1,600,000 (2013: RMB1,600,000) was received by Differ Group (China) on 30 January 2015 and the remaining balance of RMB6,107,107 (2013: RMB6,131,747) was kept by Differ Pawn for the development of its pawn loan business. According to the Audited Financial Statements, no dividend or other distribution had been made for the year ended 31 December 2014.

The independent non-executive Directors have reviewed the Structured Agreements and confirmed that: (1) the transactions carried out during the year ended 31 December 2014 have been entered into in accordance with the relevant provisions of the Structured Agreements; (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 2014 are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

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

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

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

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

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

Long positions in Shares

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

Notes:

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

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

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

As at 31 December 2014, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following persons or companies (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares which was discloseable under Division 2 & 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares

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

Notes:

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

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Messis Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 2 December 2013 effective on 9 December 2013, the date of the Listing neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 31 December 2014 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the GEM 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 2014.

All the independent non-executive Directors 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 2014. 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 30 to 36 of this annual report.

POST REPORTING DATE EVENTS

Details of the significant post reporting date events of the Group are set out in note 32 to the financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 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, 16 February 2015

The board of Directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2014.

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

During the year ended 31 December 2014, 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 2014, the Board consists of eight Directors and their respective roles are set out as follows:

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

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

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

During the year ended 31 December 2014, the Company has complied with Rules 5.05(1) and (2) and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence. Each of the independent non-executive Directors has made an annual confirmation of independence and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 5.09 of the GEM Listing Rules, up to the date of the annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company is engaged on a service agreement with the Company for a term of three years. The Company has also issued a letter of appointment to each of the non-executive directors and independent non-executive directors for a term of three years. In accordance with Article 84 of the Company's Articles of Association, one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting ("AGM") at least once every three years. All of the retiring directors, being eligible, will offer themselves for re-election at the forthcoming AGM. 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 GEM 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 2014, the Board held four regular Board meetings which were held at approximately quarterly intervals and one general meeting, being 2014 AGM, which was held on 30 April 2014. The attendance of each Directors is as follows:

	Number of Board Meetings attended/held	Number of AGM attended/held
Executive Directors:		
Mr. Hong Mingxian	4/4	1/1
Mr. Ng Chi Chung	4/4	1/1
Mr. Cai Huatan	4/4	1/1
Non-executive Directors:		
Mr. Cai Jianfeng	4/4	1/1
Mr. Wu Qinghan	4/4	1/1
Independent non-executive Directors:		
Mr. Chan Sing Nun	4/4	1/1
Mr. Tsang Hin Man Terence	4/4	1/1
Mr. Zeng Haisheng	4/4	0/1

There were 2 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 15 to the GEM Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan Sing Nun, Mr. Tsang Hin Man Terence and Mr. Zeng Haisheng. Mr. Chan Sing Nun is the chairman of the Audit Committee.

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

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

– reviewing and examining the effectiveness of internal control measure;

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

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

During the year ended 31 December 2014, 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 GEM Listing Rules and conditions of waiver granted by the Stock Exchange. The Audit Committee held four meetings during the year and the attendance of each member is as follows:

	Member of Audit Committee Meeting attended/held
Mr. Chan Sing Nun	4/4
Mr. Tsang Hin Man Terence	4/4
Mr. Zeng Haisheng	4/4

REMUNERATION COMMITTEE

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

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

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

– ensuring none of the Directors determine their own remuneration.

During the year ended 31 December 2014, 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 CG Code as set out in Appendix 15 to the GEM Listing Rules. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Zeng Haisheng, Mr. Tsang Hin Man Terence and Mr. Chan Sing Nun. Mr. Zeng Haisheng is the chairman of the Nomination Committee.

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

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

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

– identify suitable and qualified individuals to become Board members.

During the year ended 31 December 2014, 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

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDITOR'S STATEMENT AND THEIR REMUNERATION

The statement of the auditor of the Company about their reporting responsibilities on the Group's financial statements for the year ended 31 December 2014 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 2014 amounted to HK$550,000 (2013: HK$380,000). No non-audit services fee (2013: HK$2.1 million) was paid to BDO during the year ended 31 December 2014.

INTERNAL CONTROL

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

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

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

In addition, 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 2014.

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 GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

During the year ended 31 December 2014, 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 2014, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and properly prepared on going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

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

INVESTOR RELATIONS

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

During the year ended 31 December 2014, there had been no change in the constitutional documents of the Company during the year.

BDO

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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 39 to 90, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Wong Kwok Wai
Practising Certificate Number P06047

Hong Kong, 16 February 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	8	**118,091**	76,066
Other income	8	**4,664**	5,260
Employee benefit expenses		**(9,867)**	(7,739)
Depreciation and amortisation expenses		**(1,860)**	(2,006)
Operating lease expenses		**(807)**	(326)
Other expenses		**(11,439)**	(15,056)
Profit before income tax	9	**98,782**	56,199
Income tax expense	11	**(25,769)**	(15,963)
Profit for the year attributable to the owners of the Company		**73,013**	40,236
Other comprehensive income attributable to the owners of the Company that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		**(276)**	311
Total comprehensive income for the year attributable to the owners of the Company		**72,737**	40,547
Earnings per share – Basic and diluted (RMB cents)	14	**7.30**	5.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**14,652**	11,593
Prepaid land lease	16	**7,326**	7,733
Restricted bank deposits	17	**7,900**	6,550
Loan and account receivables	18	**49,647**	37,736
		79,525	63,612
Current assets			
Loan and account receivables	18	**314,071**	185,365
Prepayments, deposits and other receivables	20	**5,468**	1,534
Restricted bank deposits	17	**88,212**	117,590
Cash and bank balances	23	**164,579**	181,055
		572,330	485,544
Current liabilities			
Accruals, other payables, deposits received and deferred income	24	**25,775**	16,310
Provision for taxation		**13,979**	9,556
		39,754	25,866
Net current assets		**532,576**	459,678
Total assets less current liabilities		**612,101**	523,290

	Notes	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Deposits received and deferred income	24	**31,553**	15,479
Net assets		**580,548**	507,811
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**7,800**	7,800
Reserves	26	**572,748**	500,011
Total equity		**580,548**	507,811

On behalf of the Board

Hong Mingxian
DIRECTOR

Cai Huatan
DIRECTOR

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	19	**355,920**	355,920
Current assets			
Prepayments	20	**120**	154
Amount due from a subsidiary	22	**143,587**	86,034
Cash and bank balances	23	**198**	55,903
		143,905	142,091
Current liabilities			
Accruals and other payables	24	**568**	357
Amount due to a subsidiary	22	**661**	644
		1,229	1,001
Net current assets		**142,676**	141,090
Net assets		**498,596**	497,010
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**7,800**	7,800
Reserves	26	**490,796**	489,210
Total equity		**498,596**	497,010

On behalf of the Board

Hong Mingxian
DIRECTOR

Cai Huatan
DIRECTOR

	Share capital RMB'000	Share premium RMB'000 *(note 26)*	Capital reserve RMB'000 *(note 26)*	Merger reserve RMB'000 *(note 26)*	Statutory reserve RMB'000 *(note 26)*	Translation reserve RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 January 2013	–	–	268,000	–	3,848	221	40,311	312,380
Profit for the year	–	–	–	–	–	–	40,236	40,236
Other comprehensive income for the year	–	–	–	–	–	311	–	311
Total comprehensive income for the year	–	–	–	–	–	311	40,236	40,547
Transfer to statutory reserve	–	–	–	–	3,554	–	(3,554)	–
Issue of ordinary shares by placing *(note 25(c))*	1,950	150,150	–	–	–	–	–	152,100
Share issue costs	–	(6,785)	–	–	–	–	–	(6,785)
Share capitalisation *(note 25(d))*	5,850	(5,850)	–	–	–	–	–	–
Capital contribution from the owners *(note 31)*	–	–	19,562	–	–	–	–	19,562
Arising from reorganisation ("Reorganisation") *(note 2)*	–	–	(10,000)	–	–	–	–	(10,000)
Arising from Reorganisation *(note 2)*	–	–	–	7	–	–	–	7
At 31 December 2013 and 1 January 2014	7,800	137,515	277,562	7	7,402	532	76,993	507,811
Profit for the year	–	–	–	–	–	–	73,013	73,013
Other comprehensive income for the year	–	–	–	–	–	(276)	–	(276)
Total comprehensive income for the year	–	–	–	–	–	(276)	73,013	72,737
Transfer to statutory reserve	–	–	–	–	7,624	–	(7,624)	–
At 31 December 2014	7,800	137,515	277,562	7	15,026	256	142,382	580,548

* Retained profits included amount of approximately RMB27,961,000 as at 31 December 2014 (2013: RMB24,631,000) which was set aside in accordance with the relevant rules governing the financial guarantee business in the People's Republic of China (the "PRC") as reserve for non-matured obligation and guarantee indemnity reserve and was not distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before income tax		**98,782**	56,199
Adjustments for:			
Bank interest income	8	**(1,805)**	(1,292)
Depreciation of property, plant and equipment	9	**1,453**	1,599
Amortisation of prepaid land lease	9	**407**	407
Operating profit before working capital changes		**98,837**	56,913
Increase in loan and account receivables, net of deferred income		**(138,527)**	(57,750)
(Increase)/Decrease in prepayments, deposits and other receivables		**(3,934)**	10,772
Decrease/(Increase) in restricted bank deposits		**28,028**	(28,028)
Increase in accruals, other payables and deposits received		**23,449**	17,942
Cash generated from/(used in) operations		**7,853**	(151)
Interest received		**1,805**	1,292
Income tax paid		**(21,346)**	(16,888)
Net cash used in operating activities		**(11,688)**	(15,747)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,505)**	(148)
Decrease in amount due from a director		**–**	6,822
Decrease in amount due from a related company		**–**	5,812
Net cash (used in)/generated from investing activities		**(4,505)**	12,486

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares		–	152,100
Share issue costs		–	(6,785)
Deemed distribution to the owners		–	(10,000)
Net cash generated from financing activities		–	135,315
Net (decrease)/increase in cash and cash equivalents		**(16,193)**	132,054
Cash and cash equivalents at beginning of the year		**181,055**	48,996
Effect of foreign exchange rates, net		**(283)**	5
Cash and cash equivalents at end of the year		**164,579**	181,055
Analysis of balances of cash and cash equivalents			
Cash and bank balances	23	**164,579**	181,055

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 19 to the financial statements.

The financial statements for the year ended 31 December 2014 were approved by the board of directors on 16 February 2015.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation carried out by the Group to rationalise the Group's structure in preparation for the listing of the shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the subsidiaries comprising the Group since 26 November 2013.

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertions of certain new holding companies have not resulted in any change in economic substance. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2013 have been prepared using the merger basis of accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.

Although the Company does not directly or indirectly hold any of the registered capital of 福建鼎豐典當有限公司 (Fujian Differ Pawn Company Limited^) ("Differ Pawn"), the structured agreements ("Structured Agreements") entered into by the subsidiary of the Company, 鼎豐集團(中國)有限公司 (Differ Group (China) Company Limited^) ("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.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

4. ADOPTION OF HKFRSs AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS

4.1 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.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

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

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

4. ADOPTION OF HKFRSs AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS – continued

4.1 Adoption of new/revised HKFRSs – continued

Amendments to HKAS 36 – Recoverable Amount Disclosures

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

The adoption of the amendments has no impact on these financial statements as the Group does not have any impaired assets or cash generating units.

4.2 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 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 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.

4. ADOPTION OF HKFRSs AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS – continued

4.2 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.

4. ADOPTION OF HKFRSs AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS – continued

4.2 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.

4.3 New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year, except for those which are accounted for using the merger basis of accounting as set out in note 2, are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.2 Subsidiaries

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

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

5.3 Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

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

5.4 Property, plant and equipment

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.4 Property, plant and equipment – continued

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

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

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

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

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

5.5 Prepaid land lease

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

5.6 Leasing

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

Finance lease as lessor

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.6 Leasing – continued

Operating lease charges as the lessee

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

5.7 Share capital

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

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

5.8 Employee benefits

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

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

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

5.9 Financial assets

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.9 Financial assets – continued

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

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

Impairment loss on financial assets

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

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

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

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

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

5.10 Financial liabilities

The Group's financial liabilities include accruals, other payables and deposits received.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.10 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.

5.11 Cash and cash equivalents

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

5.12 Provisions and contingent liabilities

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.13 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.13 Accounting for income tax – continued

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

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

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

(i) the same taxable entity; or

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

5.14 Revenue recognition

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.15 Government grants

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

5.16 Foreign currencies

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.17 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5.18 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.

5.19 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.

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Subsidiary

As detailed in note 2, Differ Pawn is accounted for as a subsidiary as a consequence of the Structured Agreements. Significant judgments have been exercised by the management in accessing and concluding Differ Pawn is a subsidiary of the Group.

Impairment of receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability, 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.

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.

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES – continued

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.

Stage of completion of consultancy services

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

7. SEGMENT INFORMATION

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

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

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

The following table provides an analysis of the Group's non-current assets other than financial instruments by geographical locations.

	2014 **RMB'000**	2013 RMB'000
PRC (place of domicile)	**21,561**	19,326
Hong Kong	**417**	–
	21,978	19,326

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

	2014 **RMB'000**	2013 RMB'000
Customer A	**N/A**	11,963

8. REVENUE AND OTHER INCOME

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

	2014 **RMB'000**	2013 RMB'000
Revenue		
Interest income	**53,901**	34,744
Consultancy service income	**37,163**	19,718
Income from guarantee services		
– Financial guarantee services	**15,741**	14,807
– Other guarantee services	**–**	141
Income from finance lease services	**11,286**	6,656
	118,091	76,066
Other income		
Bank interest income	**1,805**	1,292
Government grants*	**2,810**	3,917
Others	**49**	51
	4,664	5,260

* 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.

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2014 RMB'000	2013 RMB'000
Auditor's remuneration	**432**	298
Depreciation of property, plant and equipment	**1,453**	1,599
Amortisation of prepaid land lease	**407**	407
Employee benefit expenses (including directors' remuneration *(note 10)*)		
Salaries	**8,502**	6,597
Pension scheme contributions – Defined contribution plans	**373**	270
Other benefits	**992**	872
	9,867	7,739
Listing expenses	**–**	7,143
Net foreign exchange loss	**24**	12
Operating lease charges in respect of properties	**807**	326

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2014				
Executive directors:				
Mr. Cai Huatan ("Mr. Cai")	–	236	9	245
Mr. Hong Mingxian ("Mr. Hong")	–	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

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

(a) Directors' remuneration – continued

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

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included two directors (2013: two) for the year ended 31 December 2014 whose emoluments are reflected in note 10(a).

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

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	**1,822**	1,625
Pension scheme contributions	**33**	22
	1,855	1,647

(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.

11. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax – PRC	**25,769**	15,963

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil).

Enterprise income tax arising from subsidiaries operated in the PRC for the year was calculated at 25% (2013: 25%) of the estimated assessable profits during the year.

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:

	2014	2013
	RMB'000	RMB'000
Profit before income tax	**98,782**	56,199
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**24,994**	14,698
Effect of expenses not deductible for tax purpose	**823**	1,282
Utilisation of tax losses previously not recognised	**(48)**	(17)
Income tax expense	**25,769**	15,963

As at 31 December 2014, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB152,067,000 (2013: RMB80,549,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group had unrecognised deferred tax assets arising from tax losses of approximately RMB6,000 (2013: RMB199,000) as at 31 December 2014 that are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose. Deferred tax assets have not been recognised for such losses at the reporting date due to the unpredictability of future profit streams in the relevant subsidiaries in the PRC.

12. DIVIDENDS

No dividend has been declared by the Company during the year (2013: Nil).

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of approximately RMB1,994,000 (2013: RMB4,193,000) which has been dealt with in the financial statements of the Company.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB73,013,000 (2013: RMB40,236,000) and 1,000,000,000 (2013: 765,753,000) weighted average number of ordinary shares in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2013 includes the weighted average of approximately 15,753,000 shares issued upon the placing of the Company's shares in December 2013, in addition to the 750,000,000 ordinary shares which represent the number of shares of the Company issued immediately after the Reorganisation and the capitalisation issue (note 25(d)), but excluding any shares issued pursuant to the placing (note 25(c)), as if the shares had been in issue throughout the year.

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2013	9,484	3,079	910	2,521	15,994
Additions	–	–	–	148	148
At 31 December 2013 and 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	9,484	6,527	1,106	3,389	20,506
Accumulated depreciation:					
At 1 January 2013	439	1,162	375	974	2,950
Charge for the year	452	420	180	547	1,599
At 31 December 2013 and 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	1,343	1,770	713	2,028	5,854
Net carrying amount:					
At 31 December 2014	8,141	4,757	393	1,361	14,652
At 31 December 2013	8,593	1,497	355	1,148	11,593

15. PROPERTY, PLANT AND EQUIPMENT – continued

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

16. PREPAID LAND LEASE

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**7,733**	8,140
Amortisation	**(407)**	(407)
At 31 December	**7,326**	7,733

At 31 December 2013 and 2014, the Group's prepaid land lease in the PRC was under medium term leases. As at 31 December 2013, the Group's prepaid land lease was pledged to a bank to secure a bank loan granted to one of its customers.

17. RESTRICTED BANK DEPOSITS

Group

Restricted bank deposits have maturities of one to three years as at 31 December 2014 (2013: one to three years). Such deposits have been pledged to certain banks as securities for the Group's facilities of providing financial guarantee services to customers. The effective interest rates of the Group's restricted bank deposits as at 31 December 2014 ranged from 0.35% to 3.5% (2013: 0.35% to 3.5%) per annum. As at 31 December 2014, approximately RMB75,260,000 (2013: RMB75,610,000) of the balance were utilised for guarantee contracts entered.

As at 31 December 2013 and 2014, 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.

18. LOAN AND ACCOUNT RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Non-current assets		
Finance lease receivables, gross and net (note (a))	**49,647**	37,736
Current assets		
Pawn loan receivables, gross and net	**46,850**	41,600
Entrusted loan receivables, gross and net	**196,000**	115,000
Finance lease receivables, gross and net (note (a))	**68,247**	27,178
Account receivables, gross and net	**2,974**	1,587
	314,071	185,365

Note:

(a) The finance lease receivables as of each reporting date are as follows:

	Group		
		2014	
	Minimum lease payments	**Unearned finance income**	**Present Value**
	RMB'000	RMB'000	RMB'000
Not later than one year	79,025	10,778	68,247
Later than one year and not later than five years	52,627	2,980	49,647
	131,652	13,758	117,894

18. LOAN AND ACCOUNT RECEIVABLES – continued

Note: – continued

(a) The finance lease receivables as of each reporting date are as follows: – continued

	Group 2013		
	Minimum lease payments RMB'000	Unearned finance income RMB'000	Present value RMB'000
Not later than one year	33,751	6,573	27,178
Later than one year and not later than five years	41,252	3,516	37,736
	75,003	10,089	64,914

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

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

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

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

18. LOAN AND ACCOUNT RECEIVABLES – continued

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

	Group	
	2014	2013
	% per month	% per month
Pawn loan receivables	**2.8 to 3.2**	2.9 to 3.0
Entrusted loan receivables	**1.8**	1.8
Finance lease receivables	**0.8 to 1.5**	0.9 to 1.5

The Group has certain concentration risk on loan and account receivables as it has three (2013: three) customers with outstanding balances of approximately RMB146,278,000 (2013: RMB115,758,000) as at 31 December 2014.

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

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

	Group	
	2014	2013
	RMB'000	RMB'000
0 to 30 days	**174,799**	4,087
31 to 90 days	**82,062**	75,618
91 to 180 days	**36,044**	92,100
Over 180 days	**70,813**	51,296
	363,718	223,101

18. LOAN AND ACCOUNT RECEIVABLES – continued

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

	Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**363,536**	223,101
0 to 30 days past due	**65**	–
31 to 90 days past due	**117**	–
	363,718	223,101

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

Loan and account receivables that were past due but not impaired related to a customer that has a good track record of repayment with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	Group	
	2014	2013
	RMB'000	RMB'000
Real estate	**315,489**	226,968
Movable property	**–**	6,500
Property rights	**222,415**	19,500
	537,904	252,968

As at 31 December 2014 and 2013, the finance lease receivables in respect of certain machineries are effectively secured by the underlying assets, as the rights to the machineries would be reverted to the Group in the event of default payment, and the deposits received from finance lease customers amounted to approximately RMB30,848,000 (2013: 13,248,000) (note 24).

19. INTEREST IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**355,920**	355,920

Particulars of the subsidiaries as at 31 December 2014 are as follows:

Name and kind of legal entity	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest direct	Attributable equity interest indirect	Principal activities
Limited liability company					
RongXin Company Limited ("RongXin")	British Virgin Islands ("BVI")	1,100 ordinary shares of USD1 each	100%	–	Investment holding in BVI
Differ Financial Holdings Limited	Hong Kong	HK$1	–	100%	Investment holding in Hong Kong
Differ Group (China)	PRC	RMB288,000,000	–	100%	Investment holding and provision of entrusted loan and financial consultancy services in the PRC
廈門市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 in the PRC
鼎豐擔保股份有限公司 (Differ Guarantee Company Limited^)	PRC	RMB150,000,000	–	100%	Provision of guarantee services in the PRC
廈門市鼎豐融資租賃有限公司 (Xiamen Differ Financial Leasing Company Limited^)	PRC	HK$128,000,000	–	100%	Provision of finance lease services in the PRC

19. INTEREST IN SUBSIDIARIES – continued

Name and kind of legal entity	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest direct	Attributable equity interest indirect	Principal activities
廈門鼎豐供應鏈發展有限公司 *(note (a))* (Xiamen Differ Supply Chain Development Company Limited^)	PRC	RMB30,000,000	–	100%	Sale and exportation of enforced inventories in the PRC
Joint-stock limited company					
Differ Pawn	PRC	RMB30,000,000	–	100% *(note (b))*	Provision of pawn loan services in the PRC

Notes:

(a) formerly known as 廈門鼎豐進出口發展有限公司 (Xiamen Differ Import and Export Development Company Limited^)

(b) Control over Differ Pawn was arranged through the Structured Agreements (note 2).

^ The English names are for identification only.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Prepaid expenses		**628**	434	**120**	154
Deposits paid	(a)	**201**	–	**–**	–
Other receivables	(a)	**4,639**	1,100	**–**	–
		5,468	1,534	**120**	154

Note:

(a) 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. AMOUNTS DUE FROM A RELATED COMPANY/A DIRECTOR

	Group Amount due from a related company, 福建省鼎豐創業投資有限公司 RMB'000	Amount due from Mr. Hong RMB'000
As at 1 January 2013	5,812	6,822
Maximum amount outstanding during the year ended 31 December 2013	97,000	6,822
As at 31 December 2013	–	–

22. AMOUNT DUE FROM/TO A SUBSIDIARY

Company

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

23. CASH AND BANK BALANCES

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cash at banks and in hand	**164,579**	125,152	**198**	–
Short-term bank deposits	**–**	55,903	**–**	55,903
	164,579	181,055	**198**	55,903

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

As at 31 December 2014, the Group has cash and bank balances denominated in RMB amounting to approximately RMB163,289,000 (2013: RMB119,277,000) 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.

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current liabilities				
Accruals, other payables and deposits received	**10,134**	6,425	**568**	357
Business and other tax payables	**3,725**	1,585	**–**	–
Deposits received from finance lease customers *(note 18)*	**2,000**	–	**–**	–
Deferred income	**9,916**	8,300	**–**	–
	25,775	16,310	**568**	357
Non-current liabilities				
Deposits received from finance lease customers *(note 18)*	**28,848**	13,248	**–**	–
Deferred income	**2,705**	2,231	**–**	–
	31,553	15,479	**–**	–

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

25. SHARE CAPITAL

	2014 Number of ordinary shares '000	**2014** Amount HK$'000	2013 Number of ordinary shares '000	2013 Amount HK$'000
Authorised:				
Ordinary share of HK$0.01 each				
At beginning of year	**5,000,000**	**50,000**	38,000	380
Increase of share capital *(note (a))*	**–**	**–**	4,962,000	49,620
At end of year	**5,000,000**	**50,000**	5,000,000	50,000
Issued and fully paid:				
Ordinary share of HK$0.01 each				
At beginning of year	**1,000,000**	**10,000**	1	–
Issue of ordinary shares for Reorganisation *(note (b))*	**–**	**–**	–	–
Issue of ordinary shares by placing *(note (c))*	**–**	**–**	250,000	2,500
Shares capitalisation *(note (d))*	**–**	**–**	749,999	7,500
At end of year	**1,000,000**	**10,000**	1,000,000	10,000

The issued and fully paid share capital of the Company is equivalent to approximately RMB7,800,000 as at 31 December 2014 and 2013.

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

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

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

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

25. SHARE CAPITAL – continued

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

26. RESERVES

Group

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

Share premium

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

Capital reserve

As at 31 December 2014 and 2013, 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 (note 31) during the year ended 31 December 2012 and 2013 respectively.

Merger reserve

As at 31 December 2014 and 2013, the merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of the registered capital of RongXin and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

Statutory reserve

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

26. RESERVES – continued

Company

	Share premium RMB'000	Contributed surplus RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	–	–	–	(59)	(59)
Loss for the year	–	–	–	(4,193)	(4,193)
Other comprehensive income for the year	–	–	27	–	27
Total comprehensive income for the year	–	–	27	(4,193)	(4,166)
Issue of ordinary shares by placing *(note 25(c))*	150,150	–	–	–	150,150
Share issue costs	(6,785)	–	–	–	(6,785)
Share capitalisation *(note 25(d))*	(5,850)	–	–	–	(5,850)
Issue of shares pursuant to the Reorganisation *(note a)*	–	355,920	–	–	355,920
At 31 December 2013 and 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	137,515	355,920	3,607	(6,246)	490,796

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

27. COMMITMENTS

Group

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:

	2014 **RMB'000**	2013 RMB'000
Within one year	**1,051**	60
Later than one year and not later than five years	**1,894**	–
	2,945	60

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.

Company

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

28. RELATED PARTY DISCLOSURES

(i) Balances and transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties at agreed terms:

	Group	
	2014	2013
	RMB'000	RMB'000
Guarantee service income from a related company in which Ms. Shi Hongjiao ("Ms. Shi"), the beneficial shareholder of the Company, has beneficial interest	**–**	298
Guarantee service income from a related company in which Ms. Shi and Mr. Cai have beneficial interest*	**–**	76

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

(ii) Compensation of key management personnel

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

	Group	
	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	**2,334**	2,349
Pension scheme contributions	**50**	39
	2,384	2,388

29. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables				
Loan and account receivables	**363,718**	223,101	**–**	–
Deposits and other receivables	**4,840**	1,100	**–**	–
Amount due from a subsidiary	**–**	–	**143,587**	86,034
Restricted bank deposits	**96,112**	124,140	**–**	–
Cash and bank balances	**164,579**	181,055	**198**	55,903
	629,249	529,396	**143,785**	141,937
Financial liabilities				
At amortised costs				
Accruals, other payables and deposits received	**40,490**	18,028	**568**	357
Amount due to a subsidiary	**–**	–	**661**	644
	40,490	18,028	**1,229**	1,001

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

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

Interest rate risk

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

The interest rates of the above interest-bearing financial assets of the Group are disclosed in notes 17 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.

	Group			
	2014		2013	
	RMB'000	**RMB'000**	RMB'000	RMB'000
	+0.5%	**–0.5%**	+0.5%	–0.5%
Increase/(decrease) in profit after income tax for the year and retained profits	**978**	**(978)**	1,222	(1,222)

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

At the reporting date, the Group's exposure under outstanding loan and account receivables were secured by the collateral of the customers as disclosed in notes 18 and 24.

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

	Group	
	2014	2013
	RMB'000	RMB'000
Real estate	**236,787**	186,285
Inventories	**631,490**	684,368
Machinery	**63,271**	117,891
Motor vehicles	**–**	2,448
Property rights	**2,050**	2,050
	933,598	993,042

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.

30. 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
Group					
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	–	–
At 31 December 2013					
Accruals, other payables and deposits received	18,028	18,028	4,780	–	13,248
Financial guarantees issued					
Maximum amount guaranteed	503,678	503,678	503,678	–	–
Company					
At 31 December 2014					
Accruals and other payables	568	568	568	–	–
Amount due to a subsidiary	661	661	661	–	–
	1,229	1,229	1,229	–	–
At 31 December 2013					
Accruals and other payables	357	357	357	–	–
Amount due to a subsidiary	644	644	644	–	–
	1,001	1,001	1,001	–	–

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Capital management

The Group's capital management objectives include:

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

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

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

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

Management regards total equity as capital. The amount of capital as at 31 December 2014 amounted to approximately RMB580,548,000 (2013: RMB507,811,000), which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction:

During the year ended 31 December 2013, amounts due to the beneficial shareholders of the Company of RMB19,562,000 was capitalised and transferred to capital reserve (note 26).

32. EVENTS AFTER THE REPORTING DATE

Following the commencement of the Group's distressed asset management business as announced by the Company on 5 January 2015, the Group entered into an agreement (the "Agreement") with an independent third party (the "Vendor") on 8 January 2015 to purchase the distressed asset (the "Acquisition"), being all rights in relation to the enforcement of the pledge of an industrial property (the "Collateral") in connection with certain non-performing debts owed by a debtor (including the right to enjoy first priority in receiving all proceeds from the disposal of the Collateral), at the consideration of RMB35,000,000. The full amount of the consideration has been paid by the Group to the Vendor in cash upon the signing of the Agreement. Based on the Group's internal assessment, the market value of the Collateral is estimated to be approximately RMB45,000,000, which is also the amount expected to be recovered by the Group after successfully completing all legal procedures in relation to the enforcement of the pledge of the Collateral. Further details of the Acquisition are disclosed in the Company's announcement dated 8 January 2015.