The following discussion and analysis of our financial condition and results of operations are based on and should be read in conjunction with our financial information for each of the three years ended 31 December 2012 and the five months ended 31 May 2013, including the notes thereto, as set out in the Accountants' Report in Appendix I to this document. Our financial information has been prepared in accordance with the HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed and elsewhere in this document, particularly in sections headed "Risk factors", and "Forward looking statements".

OVERVIEW

Our Group is principally engaged in the provision of financial and non-financial guarantees and financial consultancy services to enterprises, mainly SMEs, in the PRC.

Our Group's revenue for the three years ended 31 December 2012 and the five months ended 31 May 2013 were approximately RMB35.1 million, RMB53.5 million, RMB57.1 million and RMB22.1 million respectively. Our Group's net profits attributable to the equity shareholders of our Company for the three years ended 31 December 2012 and the five months ended 31 May 2013 were approximately RMB25.8 million, RMB34.5 million, RMB47.7 million and RMB9.6 million respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 January 2012. In anticipation of the [●], we underwent the Reorganisation, pursuant to which our Company became the holding company of the companies now comprising our Group.

Upon the acquisition of Success Guarantee by Success Asset on 17 September 2012, the Company became the ultimate holding company of our Group; and Double Chance, Success Finance and Success Asset became the intermediate holding companies of Success Guarantee, our Group's sole operating company. All of the Company's direct and indirect subsidiaries are wholly-owned except for Success Asset, which is owned as to 99% by Success Finance and 1% by Shunde Zhongcheng following the subscription of 1% of equity interest in Success Asset.

As our Company and its direct and indirect subsidiaries, excluding Success Guarantee, are either newly incorporated or dormant companies that had no substantive operations prior to the Reorganisation, and the Reorganisation was undertaken for the sole purpose of effecting our Group's restructuring and the [●] of our Group's financial guarantees and consultancy business, which was conducted solely through Success Guarantee during the Track Record Period, no business combination has occurred. Success Guarantee was owned by its then existing shareholders in the same proportionate share of ownerships before and after the Reorganisation and there were no changes in the economic substance of the ownership and the business of Success Guarantee. The Reorganisation only involved inserting the companies with no substantive operations as new holding companies of Success Guarantee. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in HKFRS 3, Business combinations, with Success Guarantee treated as the acquirer for accounting purposes. The financial information has been prepared and presented as a continuation of the financial statements of Success Guarantee with the assets and liabilities of Success Guarantee recognised and measured at their historical carrying amounts prior to the Reorganisation. All material intra-group transactions and balances have been eliminated on consolidation. Our consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income and the consolidated cash flow statements for each of the three years ended 31 December 2012 and the five months ended 31 May 2013 and consolidated statements of financial position as at 31 December 2010, 2011 and 2012 and 31 May 2013 have been prepared in accordance with the accounting policies in compliance with the HKFRSs.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond our control.

Source of funding

The size of our Group's financial guarantee business is restricted by our Group's registered and paid-up capital. As at the Latest Practicable Date, the registered and paid-up capital of our Group's major operating subsidiary, namely Success Guarantee, amounted to RMB250.0 million. In accordance with the Interim Measures, the maximum guarantee amount for financial guarantees which Success Guarantee can usually provide to borrowers are 10 times of its net asset value and the outstanding guarantee amount of our Group for a single customer or a group of related single customers shall not be more than 10% and 15% respectively, of the net asset value of Success Guarantee.

The size of our Group's non-financial guarantee services and financial consultancy businesses is not subject to any regulatory threshold. However, our Group's business and operation are restricted by the size of our Group's internal funding and financial resources, because our Directors believe that financial guarantee companies in the PRC are generally not relying on external bank borrowings. The size of registered capital or paid-up capital or the net asset value of our Group's operating subsidiaries and the source of funding is likely to have a significant impact on our Group's scale of operation.

Expansion of operation

The scale of operation of our Group's financial guarantee services is determined substantially by the size of registered and paid-up capital or the net asset value of Success Guarantee, subject to the terms of the cooperation agreements entered into between our Group and the banks and/or financial institutions. In addition to increasing the size of our Group's registered and paid-up capital of Success Guarantee, our Directors believe that our Group can diversify into other service scope, such as different types of non-financial guarantee and financial consultancy services in order to maximize the return to the Shareholders.

Our Group's expansion of operations will provide itself with greater business opportunities and have a significant impact on our Group's results of operations.

Economic environment

The focus of our Group's operation is mainly on SMEs in the PRC. Any change in the global or regional economy, including PBOC interest rates and monetary policies of the PRC, is likely to have an impact on the need of funding from our Group's customers and their operating condition.

Default risk of our Group's customers

Our Group collaborates with various finance providers to assist mainly SMEs in obtaining loans from finance providers by guaranteeing the repayment of such loans. In the case of banks and/or financial institutions, we are required to provide cash deposits as guarantees in respect of these loans, from which the bank may recover default loan payments by our customers. If our customers default on a loan before our Group's guarantee is discharged, we would have to pay to the bank or financial institution in question the entire outstanding principal amount of the loan, together with all accrued interest thereon, owing by our customers to the bank under our guarantee with such bank or financial institution. Such liabilities are to be paid by us using funds recovered from liquidating relevant customers' collaterals provide to us or from funds obtained from guarantors under counter-guarantee provided to us, and if necessary, out of our working capital. It is possible that collaterals provided by our customer cannot be liquidated, or cannot be liquidated in time, or cannot be liquidated at prices that are equal to or above the amount of our liability to the bank concerned or the relevant guarantor may fail to perform his/her obligations under the counter-guarantee provided to us. Under such circumstances, our Group's financial condition and results of operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the carrying amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following sets out certain accounting policies that our financial position and results of operations:

Equipment

Items of equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

	Estimated useful life
Motor vehicles	4-5 years
Office and other equipment	3-5 years

Where parts of an item of equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where our Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within liabilities from guarantees. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with our Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon our Group under the guarantee, and (ii) the amount of that claim on our Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Provisions and contingent liabilities

Provision are recognised for other liabilities of uncertain timing or amount when our Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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 events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) ***Guarantee fee income***

The amount of the guarantee is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income and is amortised in profit or loss over the term of the guarantee as guarantee fee income.

(ii) ***Rendering of services***

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the services performed to date as a percentage of the total services to be performed.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that it is probable be recoverable.

(iii) ***Dividends***

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) ***Interest income***

Interest income is recognised as it accrues using the effective interest method.

(v) ***Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vi) ***Government grants***

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as revenue in profit and loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in the consolidated statements of profit or loss over the useful life of the asset by way of reduced depreciation expense.

Employee benefits

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, our Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. Our Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are capitalised as part of the cost of assets or charged to profit or loss on an accrual basis.

Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying our Group's accounting policies, the key sources of estimation uncertainty are as follows:

Provision of financial guarantee losses

Our Group makes reasonable estimate on expense required to fulfil the relevant obligation of financial guarantee contracts when our Group computes the provisions of financial guarantee losses. Such estimation is made based on the available information as at the end of each reporting period and is determined by our Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the financial guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment of trade and other receivables

Trade and other receivables that are measured at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of our Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed or additional impairment charge is required.

Deferred tax assets

Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS LINE ITEMS

Revenue

Our Group's revenue is mainly derived from our Group's financial guarantee, non-financial guarantee and financial consultancy services. The following table sets out our Group's revenue breakdown by category during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
Guarantee income										
Financial guarantees	34,352	97.9	40,616	75.9	45,137	79.0	19,164	86.8	18,714	84.8
Litigation guarantees	298	0.8	1,528	2.8	405	0.7	130	0.6	259	1.2
Performance guarantees	461	1.3	378	0.7	602	1.1	228	1.0	267	1.2
	35,111	100.0	42,522	79.4	46,144	80.8	19,522	88.4	19,240	87.2
Financial consultancy services	—	—	11,006	20.6	10,994	19.2	2,548	11.6	2,831	12.8
Total	35,111	100.0	53,528	100.0	57,138	100.0	22,070	100.0	22,071	100.0

Revenue for financial guarantee contracts is recognised throughout the guarantee period which generally ranges from six months to three years. Depending on the amount of financial guarantee obligation to the banks and/or financial institutions, level of government subsidy and the duration of the financial guarantee period provided, our Group generally charges such SMEs a rate of 0.5% to 7.5% of the total guarantee amount as financial guarantee fee.

Depending on the nature of such non-financial guarantees, the amount of guarantee obligation and counter-guarantee condition, our Group generally charges a rate of 0.5% to 3.5% of the total guarantee amount as non-financial guarantee fee. Our Group's customers requesting for litigation or performance guarantees were generally occasional and standalone in nature.

Our Group's scope of financial consultancy services generally includes the proposal of different methods of financing to our customers according to their needs and circumstances and assisting them to apply for financing from banks and/or other financial institutions.

Our Group adopts the percentage of completion method for revenue recognition of service income relating to financial consultancy services based on the services performed to date as a percentage of the total services to be provided. During the term of the financial consultancy service agreement and within the service scope prescribed in such agreement, our Group provides financial consultancy services by a variety of acts, such as investigation, analysis, search of financing channels, designation of financing programme etc.. The financial consultancy services are performed by an indeterminate number of acts over the contract period. Therefore, in accordance with HKFRS 18.25, financial consultancy service income is recognised in profit or loss on a straight-line basis over the contract period for practical purposes. The management of our Group considers that there is no other method that can better represent the stage of completion.

During the Track Record Period, our Group's customers were engaged in a wide range of businesses in the PRC. Save for the more obvious sales dip experienced by our Group during and around the Chinese New Year's long holidays as SMEs usually reduce their operation during such period of time, our Group's revenue shall not be subject to any seasonal effect of a particular industry. Our Group's customer base is diversified and no single client with whom the aggregate transaction amount have exceeded 10% of our Group's revenue.

Other revenue

Other revenue mainly comprise (i) government grants from several government authorities for our Group's provision of financial guarantee services to SMEs, of which the entitlements were granted under the discretion of the relevant government authorities depending on the aggregate guarantee amount provided to SMEs and the related guarantee fee rate; (ii) interest income from bank deposits; and (iii) dividend income from unlisted securities. For the year ended 31 December 2010, other revenue also included rental income from investment property. For the year ended 31 December 2012, other revenue also included investment income. The following table sets out our Group's other revenue breakdown by category during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Government grants	4,140	8,243	10,615	5,653	339
Interest income from bank deposits	1,853	1,145	2,501	1,721	2,284
Dividend income from unlisted securities	50	105	—	—	—
Investment income	—	—	2,888	—	—
Rental income from investment property	990	—	—	—	—
Others	1	227	168	—	89
Total	7,034	9,720	16,172	7,374	2,712

Impairment and provision (charged)/ written back

Impairment and provisions mainly represent impairment and provision for financial guarantees losses, and provision for trade and other receivables where the customers or other parties are likely in financial difficulties and their recoverability is considered to be remote. In the event of any impairment and provision made in the previous years but subsequently recovered, impairment and provision previously made would be written back in the year in which the relevant amount is recovered.

Share of profits of associates

Interest in associates represent the 18.18% and 40% equity interests in Success Credit and Foshan Success Credit Rating Co., Ltd. held by our Group respectively. Success Credit has principally been engaging in the provision of small credit financing to SMEs and/or individuals, which was acquired by our Group in December 2012. Foshan Success Credit Rating Co., Ltd. has been dormant and has no business activities during the Track Record Period. Such company was jointly set up by our Group with related parties in August 2011 and was subsequently disposed of to a related party in December 2011.

Share of profits/(losses) of a joint venture

Interests in a joint venture represent the 51.0% equity interest in Success Futures held by our Group. The business of Success Futures did not form a significant part of our Group's operation during the Track Record Period and had been disposed of by us in 2012 with a net gain on disposal of approximately RMB2.4 million. The principal business of Success Futures was future brokerage.

Operating expenses

Operating expenses mainly comprise staff costs, traveling and entertainment expenses, depreciation charges, professional and consultancy fees, office supplies and expenses, rental charges, auditors' remuneration, advertising expenses, business and other taxes and exchange losses. The following table sets forth the components of our Group's operating expenses for the three years ended 31 December 2012 and the five months ended 31 May 2012 and 2013:

	For the year ended 31 December						For the five months ended 31 May			
	2010		2011		2012		2012		2013	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* *(Unaudited)*	%	*RMB'000*	%
Staff costs	2,794	27.3	3,203	22.2	3,968	23.5	1,768	23.4	2,285	16.0
Traveling and entertainment expenses	2,831	27.6	2,368	16.4	2,163	12.8	659	8.7	767	5.4
Depreciation charges	1,227	12.0	578	4.0	513	3.0	298	4.0	129	0.9
Professional and consultancy fees	264	2.6	4,761	33.0	5,321	31.4	3,070	40.6	9,317	65.2
Office supplies and expenses	776	7.6	1,283	8.9	1,128	6.7	260	3.5	442	3.1
Rental expenses	534	5.2	578	4.0	635	3.8	253	3.3	345	2.4
Auditors' remuneration	64	0.6	69	0.4	167	1.0	129	1.7	157	1.1
Net loss on disposal of fixed assets	208	2.0	2	—	9	0.1	—	—	—	—
Advertising expenses	135	1.3	486	3.4	872	5.2	455	6.0	172	1.2
Exchange losses	—	—	—	—	681	4.0	7	0.1	—	—
Business and other taxes	722	7.0	736	5.1	936	5.5	175	2.3	545	3.8
Others	695	6.8	377	2.6	513	3.0	482	6.4	139	0.9
Total	10,250	100.0	14,441	100.0	16,906	100.0	7,556	100.0	14,298	100.0

Included in the professional and consultancy fee above, there was an aggregate amount of management fee of RMB3.0 million paid to a related party, namely Foshan Finance, for the period from 1 June 2011 to 31 March 2012 at a monthly fee of RMB300,000. The management fee was paid for the consultancy services provided by Foshan Finance for streamlining the business operation of our Group, including but not limited to, those provided during the course of Re-organisation, which was not recurring after the said period and did not involve in sharing of resources between our Group and Foshan Finance; while such management arrangement had ceased after 31 March 2012 and will not continue after the [●].

Income tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong, as it has not derived any income subject to Hong Kong Profits Tax during the Track Record Period.

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, our Group's PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of our Group's dividend policy, management considered that for the purpose of business development, the undistributed earnings of Success Guarantee amounted to approximately RMB63.0 million as at 31 May 2013 will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

RESULTS OF OPERATIONS

The following table sets forth our Group's consolidated results of operations for the three years ended 31 December 2012 and the five months ended 31 May 2012 and 2013.

Consolidated Statements of Profit or Loss

	For the year ended 31 December			For the five months ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	35,111	53,528	57,138	22,070	22,071
Other revenue	7,034	9,720	16,172	7,374	2,712
	42,145	63,248	73,310	29,444	24,783
Impairment provision (charged)/ written back	1,528	(2,993)	3,147	665	(343)
Operating expenses	(10,250)	(14,441)	(16,906)	(7,556)	(14,298)
	(8,722)	(17,434)	(13,759)	(6,891)	(14,641)
Profit from operations	33,423	45,814	59,551	22,553	10,142
Share of profits of associates	—	—	132	—	2,957
Share of profits/(losses) of a joint venture	1,850	619	(345)	(287)	—
Net gain from disposal of a joint venture	—	—	2,379	—	—
Profit before taxation	35,273	46,433	61,717	22,266	13,099
Income tax	(9,500)	(11,928)	(14,062)	(3,889)	(3,420)
Profit for the year/period	25,773	34,505	47,655	18,377	9,679

Year ended 31 December 2011 compared with year ended 31 December 2010

Revenue

Revenue increased by approximately 52.4% from approximately RMB35.1 million for the year ended 31 December 2010 to approximately RMB53.5 million for the year ended 31 December 2011. Such increase was mainly contributed by the combined effect of the following reasons:

Financial guarantees

Revenue generated from financial guarantees increased by approximately 18.0% from approximately RMB34.3 million for the year ended 31 December 2010 to approximately RMB40.6 million for the year ended 31 December 2011. Such increase was mainly due to (i) the general increasing trends of both the number of financial guarantee contracts entered into during the year and the guarantee amount during the Track Record Period and the increase in the guarantee amount remained outstanding in 2011 as a result of the increase in registered and paid-up capital of Success Guarantee by RMB50.0 million to RMB250.0 million so as to attract more referrals of financial guarantee business opportunities by banks and/or other financial institutions; (ii) that deferred financial guarantee income attributable to some guarantee contracts lasted for a longer period entered into in the previous years was recognised in 2011; and (iii) contribution from the financial guarantee services in respect of loans from the Foshan SME Trust Fund and those government cooperative programmes for SME development during the year ended 31 December 2011. Revenue for financial guarantee contracts is recognised throughout the guarantee period which generally ranges from six months to three years. Depending on the amount of financial guarantee obligations to the banks and/or financial institutions, level of government subsidy and the duration of the financial guarantee period provided, our Group generally charges such SMEs a rate of 0.5% to 7.5% of the total guarantee amount as financial guarantee fee.

Non-financial guarantees

Revenue generated from non-financial guarantees, comprising litigation guarantees and performance guarantees, increased from approximately RMB0.8 million for the year ended 31 December 2010 to approximately RMB1.9 million for the year ended 31 December 2011. The increase in non-financial guarantee fee was mainly attributable to the increase in the guarantee obligation amount during the year and remained outstanding in 2011. During the two years ended 31 December 2011, our Group's customers requesting for litigation or performance guarantees were generally occasional and standalone in nature, so the absolute revenue amount involved merely accounted for approximately 2.1% and 3.5% of our Group's total revenue respectively, and therefore had not materially changed.

Financial consultancy services

Our Group has expanded the business scope and commenced provision of financial consultancy services to customers in 2011 and recorded revenue of approximately RMB11.0 million for the year ended 31 December 2011. Our scope of financial consultancy services generally includes the proposal of different methods of financing to our customers according to their needs and circumstances and assisting them to apply for financing from banks and/or other financial institutions.

Other revenue

Other revenue increased by approximately 38.6% from approximately RMB7.0 million to approximately RMB9.7 million, which was mainly contributed by the increase in government grants by approximately RMB4.1 million during the year, but partially off-set by the decrease in interest income from bank deposits by approximately RMB0.7 million. Our Group disposed of an investment property in 2010, so the rental income derived from the investment property of approximately RMB1.0 million for the year ended 31 December 2010 was no longer receivable in 2011.

Our Group was granted more government grants of approximately RMB4.1 million during the year ended 31 December 2011 mainly due to the PRC government's general policy to increase support for SMEs, which we were benefited as Success Guarantee has been a financial service provider for SMEs in Foshan City. The entitlements of government grants were under the discretion of the relevant government bureaux. The amounts of government grants were generally determined with reference to the average outstanding financial guarantee amount provided by Success Guarantee to such SMEs. The purpose of the government grants is to provide financial assistance to small and medium financial guarantee enterprises.

Impairment and provision (charged)/written back

For the year ended 31 December 2010, the impairment provision charge of approximately RMB0.8 million was off-set by a provision for financial guarantee written back of approximately RMB2.3 million, resulting a net provision amount written back of approximately RMB1.5 million.

Impairment provision charged for trade receivables increased from approximately RMB0.8 million for the year ended 31 December 2010 to approximately RMB1.0 million for the year ended 31 December 2011. For the year ended 31 December 2011, there was a general provision for financial guarantee business of approximately RMB2.0 million for estimating certain proportion of customers whose recoverability was considered to be remote.

Operating expenses

Operating expenses increased by approximately 39.8% from approximately RMB10.3 million for the year ended 31 December 2010 to approximately RMB14.4 million for the year ended 31 December 2011. The increase was mainly attributable to (i) the one-off consultancy fee of approximately RMB1.3 million to a risk management consultant for enhancing our Group's risk management system; (ii) an aggregate of management fee of approximately RMB2.1 million paid to a related party for streamlining the business operation of our Group; (iii) staff costs increased by approximately RMB0.4 million to cope with the business expansion of our Group; and (iv) professional fees of approximately RMB1.2 million in respect of the preparation of the [●].

Share of profits/(losses) of a joint venture

The share of profits from Success Futures decreased from approximately RMB1.9 million for the year ended 31 December 2010 to RMB0.6 million for the year ended 31 December 2011, mainly due to the scale of its futures brokerage business deteriorated during the year.

Profit before taxation

As a result of the foregoing, our Group's profit before taxation for the year ended 31 December 2011 was approximately RMB46.4 million, representing an increase by approximately 31.4% from approximately RMB35.3 million for the year ended 31 December 2010.

Income tax

Our Group's income tax for the year ended 31 December 2011 was approximately RMB11.9 million, representing an increase by approximately 25.3% from that of approximately RMB9.5 million for the year ended 31 December 2010. Such increase was basically in line with the increase in our Group's profit before taxation during the year. Our Group's effective income tax rates for the two years ended 31 December 2010 and 2011 were 26.9% and 25.7% respectively. The higher effective tax rate for the year ended 31 December 2010 was mainly attributable to the non-deductible expenses of excessive entertainment expenses and staff welfare in aggregate of approximately RMB2.8 million; while that for the year ended 31 December 2011 was basically consistent with the statutory rate of 25%, but which was also affected by the similar non-deductible expenses to a lesser extent of approximately RMB1.4 million.

Profit for the year

Profit for the year increased by approximately 33.7% from approximately RMB25.8 million for the year ended 31 December 2010 to approximately RMB34.5 million for the year ended 31 December 2011, while net profit margin slightly decreased from approximately 73.4% in 2010 to approximately 64.5% in 2011. The slight decrease in net profit margin was mainly due to the increase in impairment and provision of financial guarantee loss made and the operating expenses incurred for the year ended 31 December 2011 as mentioned above.

Year ended 31 December 2012 compared with year ended 31 December 2011

Revenue

Revenue increased by approximately 6.7% from approximately RMB53.5 million for the year ended 31 December 2011 to approximately RMB57.1 million for the year ended 31 December 2012. Such increase was mainly contributed by the combined effect of the following reasons:

Financial guarantees

Revenue generated from financial guarantees increased by approximately 11.1% from approximately RMB40.6 million for the year ended 31 December 2011 to approximately RMB45.1 million for the year ended 31 December 2012. Such increase was mainly due to the fact that our Group had actively explored new guarantee services for SMEs, such as the Foshan SME Bills, SMEs receiving loans from the Foshan SME Trust Fund, an issue of private placement bonds by an SME (中小企業私募債) etc., as a result of our Group's active and continuing participation into those government-organised/encouraged financial guarantee services to SMEs during the year ended 31 December 2012. Our Directors have considered that financial guarantee projects with government authorities' supports shall relatively and generally be less risky in terms of possible customers default, while the guarantee rates have generally been lower than that offered to our other customers.

Non-financial guarantees

Revenue generated from non-financial guarantees, comprising litigation guarantees and performance guarantees, decreased from approximately RMB1.9 million for the year ended 31 December 2011 to approximately RMB1.0 million for the year ended 31 December 2012, the decrease in non-financial guarantee fee was mainly attributable to the decrease in the guarantee obligation amount during the year and remained outstanding in 2012. During the two years ended 31 December 2012, our Group's customers requesting for litigation or performance guarantees were generally occasional and standalone in nature, so the absolute revenue amount involved merely accounted for approximately 3.5% and 1.8% of our Group's total revenue respectively, and therefore had not materially changed.

Financial consultancy services

Our Group's financial consultancy service business recorded revenue of approximately RMB11.0 million for the year ended 31 December 2012, which was relatively stable when compared to that for the year ended 31 December 2011.

Other revenue

Other revenue significantly increased by approximately 67.0% from approximately RMB9.7 million to approximately RMB16.2 million, which was mainly contributed by (i) the increase in government grants by approximately RMB2.4 million during the year; (ii) interest income from bank deposits by approximately RMB1.4 million; and (iii) a one-off investment income of approximately RMB2.9 million.

Impairment and provision (charged)/written back

Our Group had no provision charged for financial guarantees and impairment provision charged for trade receivables for the year ended 31 December 2012, but it had a minimal impairment and provision charged for other receivables of RMB0.1 million during the year.

Our Group conversely had recorded (i) provision for financial guarantees written back of approximately RMB1.4 million; and (ii) impairment provision written back for trade receivables of approximately RMB1.9 million for the year ended 31 December 2012, mainly generated from the net gain of factoring of some financial guarantee amounts without recourse to a factoring house and then be recognized as written back of impairment provision during the year. The impairment provision for financial guarantee took into account the outstanding guarantee obligation amount, as well as the historical loss and claim rate of our Group and other macro factors during the year.

Operating expenses

Operating expenses increased by approximately 17.4% from approximately RMB14.4 million for the year ended 31 December 2011 to approximately RMB16.9 million for the year ended 31 December 2012. The increase was mainly attributable to the increase in (i) staff costs by approximately RMB0.8 million to cope with our Group's business expansion during the year; and (ii) professional and consultancy fees of approximately RMB3.2 million in respect of the preparation of the [●], but which was offset by (a) the decrease in management fee paid to a related party of approximately RMB1.2 million, and (b) the risk management consultancy fee of approximately RMB1.3 million incurred in 2011 did not recur in 2012.

Share of profits/(losses) of a joint venture

The share of profits from Success Futures decreased from profits of approximately RMB0.6 million for the year ended 31 December 2011 to losses of approximately RMB0.3 million for the year ended 31 December 2012, mainly due to the overall unfavourable market sentiment affecting its futures brokerage business during the year. Success Futures was disposed of to a related party by our Group in October 2012 for a cash consideration of approximately RMB30.9 million, and a gain on disposal of a joint venture of approximately RMB2.4 million was recognized during the year ended 31 December 2012.

Profit before taxation

As a result of the foregoing, our Group's profit before taxation for the year ended 31 December 2012 was approximately RMB61.7 million, representing an increase by approximately 33.0% from approximately RMB46.4 million for the year ended 31 December 2011.

Income tax

Our Group's income tax for the year ended 31 December 2012 was approximately RMB14.1 million, representing an increase by approximately 18.5% from that of approximately RMB11.9 million for the year ended 31 December 2011, such increase was mainly associated with the increase in our Group's profit before taxation during the year. Our Group's effective income tax rates for the two years ended 31 December 2011 and 2012 were 25.7% and 22.8% respectively. The decrease in effective tax rate in 2012 was mainly attributable to a non-taxable item of a reversal of deferred tax liabilities of approximately RMB1.8 million in relation to the cash dividends received from Success Futures of approximately RMB7.1 million.

Profit for the year

Profit for the year increased by 38.3% from approximately RMB34.5 million for the year ended 31 December 2011 to approximately RMB47.7 million for the year ended 31 December 2012, while net profit margin increased from approximately 64.5% in 2011 to approximately 83.4% in 2012. The increase in net profit margin was mainly due to the impairment provision written back, one-off investment income from available-for-sale financial assets and net gain from disposal of a joint venture.

Five months ended 31 May 2013 compared with the five months ended 31 May 2012

Revenue

Revenue for the five months ended 31 May 2013 had basically remained unchanged of approximately RMB22.1 million when compared to that of the corresponding period in the previous year. However, there were some fluctuations leading to this unchanged combined effect as follow:

Financial guarantees

Business segment of financial guarantee remained stable without material fluctuation in revenue for the five months ended 31 May 2013, which slightly decreased by approximately 2.6% from approximately RMB19.2 million for the five months ended 31 May 2012 to approximately RMB18.7 million for the five months ended 31 May 2013.

Non-financial guarantees

Revenue generated from non-financial guarantees, comprising litigation guarantees and performance guarantees, slightly increased to approximately RMB0.5 million for the five months ended 31 May 2013 when compared to that of approximately RMB0.4 million for the corresponding period in the previous year. As explained before, our Group's customers requesting for litigation or performance guarantees were generally occasional and standalone in nature, so the absolute revenue amount involved was not material and merely accounted for approximately 1.8% and 2.3% of our Group's total revenue for the two corresponding periods respectively, and therefore had not materially changed.

Financial consultancy services

Our Group's financial consultancy service business recorded revenue of approximately RMB2.8 million for the five months ended 31 May 2013, which was relatively stable when compared to that of approximately RMB2.5 million for the corresponding period in the previous year.

Other revenue

Other revenue significantly decreased by approximately 63.5% from approximately RMB7.4 million for the five months ended 31 May 2013 to approximately RMB2.7 million for the corresponding period in the previous year, which was mainly adversely affected by the significant decrease in government grants received by our Group by approximately RMB5.3 million for the period, but which was partly compensated by the increase in interest income from bank deposits of approximately RMB0.6 million. Our Directors consider that government grants previously received by our Group were co-incidentally fulfilled the granting criteria under the absolute discretion of the relevant government bureaux with reference to the average outstanding financial guarantee amount offered to the SMEs. Our Group will continuously be seeking for any new government grants, if any, which we are eligibly applied for.

Impairment and provision (charged)/written back

Our Group had provision charged for financial guarantees issued of approximately RMB0.3 million for the five months ended 31 May 2013, while conversely, a provision for financial guarantees written back of approximately RMB0.7 million was recorded for the corresponding period in the previous year. The impairment provision for financial guarantee took into account the outstanding guarantee obligation amount, as well as the historical loss and claim rate of our Group and other macro factors during the period.

Operating expenses

Operating expenses significantly increased by approximately 88.2% from approximately RMB7.6 million for the five months ended 31 May 2012 to approximately RMB14.3 million for the five months ended 31 May 2013. The increase was mainly attributable to the increases in (i) staff costs by approximately RMB0.5 million to cope with our Group's business development during the period; (ii) professional and consultancy fees of approximately RMB7.1 million substantially in respect of the preparation of the [●]; and (iii) business and other taxes by approximately RMB0.4 million as a result of the cessation of previous exemption from business tax on our Group's consultancy service business effective from March 2013, but which was offset by the non-recurrence of management fee paid to a related party of approximately RMB0.9 million during the five months ended 31 May 2012.

For each of the three years ended 31 December 2012 and the five months ended 31 May 2013, the amounts of business tax exempted were approximately RMB1.5 million, RMB2.4 million, RMB1.9 million and RMB0.3 million respectively. Taking into account the effect of the enterprise income tax and other sub-charges, the impact of the business tax exemption to our Group's operating results would decrease by approximately RMB1.2 million, RMB2.0 million, RMB1.6 million and RMB0.2 million for each of the three years ended 31 December 2012 and the five months ended 31 May 2013, respectively. Our Group is still in the process of applying business tax exemption for the period commencing from 1 March 2013.

Share of profits of associates

The share of profits of associates amounted to approximately RMB3.0 million for the five months ended 31 May 2013 was substantially contributed by Success Credit when compared to that of merely RMB132,000 for the period between 18 December 2012 and 31 December 2012 in the previous year. Our Group's equity interest in Success Credit was acquired in December 2012.

Share of profits/(losses) of a joint venture

Our Group had no longer shared any profits or losses from Success Futures for the five months ended 31 May 2013, because Success Futures was disposed of to a related party by our Group in October 2012.

Profit before taxation

As a result of the foregoing, our Group's profit before taxation for the five months ended 31 May 2013 was approximately RMB13.1 million, representing a considerable decrease by approximately 41.3% from approximately RMB22.3 million for the corresponding period in the previous year.

Income tax

Our Group's income tax for the five months ended 31 May 2013 was approximately RMB3.4 million, representing a decrease by approximately 12.8% from that of approximately RMB3.9 million for the corresponding period in the previous year, such decrease was mainly associated with the decrease in our Group's profit before taxation during the year. Our Group's effective income tax rates for the five months ended 31 May 2012 and 2013 were 17.5% and 26.1% respectively. The unusual lower effective tax rate of 17.5% for the five months ended 31 May 2012 was mainly attributable to a non-taxable item of a reversal of deferred tax liabilities of approximately RMB1.8 million in relation to the cash dividends received from Success Futures of approximately RMB7.1 million, while the same for the five months ended 31 May 2013 was basically in line with the statutory income tax rate of 25.0%.

Profit for the period

Profit for the period decreased by 47.3% from approximately RMB18.4 million for the five months ended 31 May 2012 to approximately RMB9.7 million for the five months ended 31 May 2013, while net profit margin decreased from approximately 83.3% for the five months ended 31 May 2012 to approximately 43.9% for the corresponding period in 2013. The decrease in net profit margin was mainly due to the decrease in government grants received by approximately RMB5.3 million and the increase in the non-recurring [●] expenses of approximately RMB7.1 million. Should the non-recurring [●] expenses of approximately RMB9.1 million (2012: RMB2.0 million) (grouped under the professional and consultancy fee) be excluded from the total operating expenses for the five months ended 31 May 2013, our Group would have reported profit for the period of approximately RMB16.5 million or a net profit margin of 74.7%, after taking into account the associated tax benefit of approximately RMB2.3 million.

IMPACT OF NON-RECURRING EXPENSES

[●]

Moreover, the fair value of the share options granted under the Pre-[●] Share Option Scheme, according to the calculation of an external independent professional valuer, is expected to be about HK$13.3 million which will be charged to the consolidated statements of profit or loss and other comprehensive income of our Group over the vesting period by reference to the fair value at the date on which the share option are granted. The share options under the Pre-[●] Share Option Scheme were granted on 6 November 2013. It is expected that approximately HK$2.0 million will be charged to the consolidated statement of profit or loss and other comprehensive income of our Group for the year ending 31 December 2013.

Shareholders or potential investors should note that the financial performance of our Group for the year ending 31 December 2013 would be materially and adversely affected by the expenses in relation to the [●] and the grant of the share options under the Pre-[●] Share Option Scheme mentioned above, and may or may not be comparable to the financial performance of our Group in the past. However, Shareholders or potential investors should note that such estimated [●] expenses and fair value adjustments attributable to the share options are one-off and non-recurring in nature.

Our Directors confirmed that save for the [●] expenses of approximately HK$[●] million, there were no material non-recurring items to be paid by our Group as at the Latest Practicable Date and there had been no material adverse change in the financial positions of our Group since 31 May 2013 and up to the Latest Practicable Date.

TREASURY MANAGEMENT AND INVESTMENT POLICY

In order to more effectively utilise our Group's financial resources for obtaining a better return for the Shareholders, it had been our Group's general approach that our management had sought for some alternative investment opportunities which could provide a better return but at a minimum risk exposure. Prior to and during the Track Record Period, our Group had occasionally made certain investments in landed properties, equity and debt securities from time to time when our Directors considered that there were idle funds not immediately required for our day-to-day guarantee business operations. Our Directors considered that all such investments made prior to and during the Track Record Period were solely for the purpose of increasing return on its idle funds, one-off and not recurring in nature; and therefore not directly related to our Group's ordinary business objectives. The purpose of realisation of all such investments was to release cash resources for our Group's increasing scale of guarantee business during the Track Record Period. Our Group has no prescribed treasury and investment policy in force, and would not make any other similar investments in the near future while our Group's cash resources will be utilised in its ordinary guarantee business operation.

During the year ended 31 December 2010, our Group had disposed of the investment properties located at Foshan City, Guangdong Province, the PRC to Success Holdings at the then prevailing market price through an auction house with net proceeds of approximately RMB28.5 million and a nominal loss on disposal of approximately RMB208,000 without taking into account the rental income of approximately RMB1.0 million received during the year.

During the year ended 31 December 2011, our Group had disposed of an unlisted securities investment in a PRC company to a related party, namely Mr. Pang, at its carrying value of RMB1.0 million in August 2011, no material gain or loss was recorded.

During the year ended 31 December 2012, Success Guarantee entered into an entrusted investment agreement with Yuecai Trust, an unrelated party, on 12 July 2012. Pursuant to the agreement, Yuecai Trust was entrusted to invest in debt securities of RMB60.0 million, while the principal and return of the entrusted investment are not guaranteed. The principal of entrusted investment was fully redeemed by our Group in December 2012 with an investment income of approximately RMB2.9 million. As advised by our PRC Legal Advisers, our Group's entrusted investment arrangement with Yuecai Trust during the year ended 31 December 2012 did not violate the Implementing Rules.

Our Directors confirm that all the investees involved in the above investments did not have any relationship with our Group's customers or the collateral or counter-guarantees provided to us during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Since our Group's establishment, our Group mainly finances our operations from capital contributions from Shareholders, cash inflow from investing activities and cash flow from operating activities before working capital changes.

Our Group manages liquidity primarily by monitoring the maturities of its assets and liabilities in an effort to ensure that it has sufficient funds to meet obligations as they become due. During the Track Record Period, our Group had been capable to generate considerable operating cash inflow before working capital changes, which amounted to approximately RMB31.4 million, RMB48.1 million, RMB51.5 million and RMB8.2 million respectively.

The following table set out selected cash flow data from our Group's consolidated cash flow statements for the period indicated.

	For the year ended 31 December			For the five months ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating cash flow before working capital changes	31,427	48,137	51,537	20,465	8,238
Net cash generated from/(used in) operating activities	15,641	(102,298)	39,958	21,963	(3,939)
Net cash generated from/(used in) investing activities	36,578	41,141	(45,025)	(135,751)	(34,295)
Net cash generated from/(used in) financing activities	—	53,919	29,752	(1,000)	(1,364)
Net increase/(decrease) in cash and cash equivalents	52,219	(7,238)	24,685	(114,788)	(39,598)
Cash and cash equivalents at beginning of the year/period	80,909	133,128	125,890	125,890	150,575
Effect of foreign exchange rate changes	—	—	—	—	(58)
Cash and cash equivalents at the end of the year/period	133,128	125,890	150,575	11,102	110,919

Net cash generated from/(used in) operating activities

Our Group's cash inflow from operating activities was primarily generated from financial and non-financial guarantee and financial consultancy services.

Net cash generated from/(used in) operating activities primarily consisted of profit before tax and taking into account adjustments for certain major non-cash and non-operating items such as depreciation of fixed assets, impairment provision (written back)/charged, investment income, share of profits of a joint venture, net gain from disposal of a joint venture and interest income from bank deposits which are non-cash items and/or non-operating in nature and the net effect of changes in working capital.

For the year ended 31 December 2010, net cash generated from our Group's operating activities was approximately RMB15.6 million, while our Group's profit before taxation for the same year was approximately RMB35.3 million. The difference was mainly attributable to (i) the decrease in pledged bank deposits of approximately RMB8.5 million, (ii) the decrease in trade and other receivables of approximately RMB8.9 million; but partly offset by (a) the decrease in customer pledged deposits received of approximately RMB30.2 million as a result of release of some financial guarantee obligations during the year, and (b) the PRC income tax paid by approximately RMB7.9 million.

For the year ended 31 December 2011, net cash used in our Group's operating activities was approximately RMB102.3 million, while our Group's profit before taxation for the same year was approximately RMB46.4 million. The difference was mainly attributable to (i) the increase in pledged bank deposits of approximately RMB36.8 million as a result of the increase in financial guarantee amount during the year, and (ii) the decrease in customer pledged deposits received of approximately RMB63.0 million as a result of refund of deposits on release of financial guarantee obligations during the year, (iii) the impact of the implementation of Article 33 of the Implementing Rules for the Administration of Financial Guarantee Companies. According to the Article 33, the customer pledged deposits received shall be deposited into a segregated bank account in accordance with a tripartite custody agreement and the requirements were required to be fulfilled by 31 March 2011. Although the tripartite custody agreements were not available and the deposits were not kept in a segregated bank account, for the purpose of the presentation of the consolidated cash flow statements, the pledged customer deposits set aside were excluded from the cash and cash equivalents and presented as restricted deposits. This has the impact of reducing the cash flows from the operating activities by RMB40.7 million in the year 2011, and (iv) decrease in accruals and other payables of approximately RMB5.6 million, and (v) the PRC income tax paid by approximately RMB14.2 million; but partly offset by (a) the decrease in trade and other receivables as a result of repayment received of approximately RMB4.0 million, and (b) the RMB6.4 million increase in deferred income mainly due to increase in number of financial guarantee contracts entered into during the year.

For the year ended 31 December 2012, net cash generated from our Group's operating activities was approximately RMB40.0 million, while our Group's profit before taxation for the same year was approximately RMB61.7 million. The difference was mainly attributable to (i) more obvious adjustment for non-cash/non-operating in nature items in aggregate of approximately RMB10.2 million including impairment written back, investment income, share of losses of a joint venture, net gain from disposal of a joint venture, share of profits of an associate, net loss on disposal of equipment and investment property, depreciation and interest income from bank deposits, (ii) increase in trade and other receivables as a result of repayment received of approximately RMB4.4 million, and (iii) the PRC income tax paid by approximately RMB8.4 million.

For the five months ended 31 May 2013, net cash used in our Group's operating activities was approximately RMB3.9 million, while our Group's profit before taxation for the same period was approximately RMB13.1 million. The difference was mainly attributable to (i) the adjustments for non-cash/non-operating in nature items in aggregate of approximately RMB4.9 million including share of profits of an associate and interest income from bank deposits, (ii) increase in pledged bank deposits of approximately RMB19.9 million, (iii) decrease in deferred income of approximately RMB6.7 million, and (iv) the PRC income tax paid by approximately RMB5.2 million; but partly offset by (a) the decrease in trade and other receivables of approximately RMB16.5 million, and (b) increase in accruals and other payables of approximately RMB3.9 million.

Net cash generated from/(used in) investing activities

Our Group's cash inflow from investing activities was mainly attributable to disposal of investment properties, available-for-sale financial assets and joint venture, interest received and dividend received from joint venture. Our Group's cash outflow to investing activities are primarily for payment for acquisition of associates and fixed assets and purchase of available-for-sale financial assets.

For the year ended 31 December 2010, net cash generated from our Group's investing activities was approximately RMB36.6 million, which was mainly attributable to (i) the cash proceeds from the disposal of investment properties of approximately RMB28.4 million, (ii) the net repayments of advances from related parties of approximately RMB6.3 million, and (iii) the interest received amounted to approximately RMB1.9 million.

For the year ended 31 December 2011, net cash generated from our Group's investing activities was approximately RMB41.1 million, which was mainly attributable to (i) net repayments of advances from related parties of approximately RMB39.7 million, (ii) the cash proceeds from the disposal of associates and investment in unlisted securities of approximately RMB4.0 million and RMB1.0 million respectively, and (iii) interest received amounted to approximately RMB1.1 million; but offset by the payment on acquisition of an associate of approximately RMB4.0 million.

For the year ended 31 December 2012, net cash used in from our Group's investing activities was approximately RMB45.0 million, which was mainly attributable to (i) proceeds from disposal of a joint venture of approximately RMB30.9 million, (ii) dividends received from a joint venture of approximately RMB7.1 million, (iii) net repayment of advances from related parties of approximately RMB3.9 million, (iv) investment income of approximately RMB2.9 million, (v) interest received amounted to approximately RMB2.5 million and (vi) redemption of available-for-sale financial assets of approximately RMB60.0 million; but offset by (a) the payment on acquisition of an associate of approximately RMB37.8 million, and (b) payments for purchase of equipment and property of approximately RMB54.6 million, and (c) payment for purchase of available-for-sale financial assets of approximately RMB60.0 million.

For the five months ended 31 May 2013, net cash used in our Group's investing activities was approximately RMB34.3 million, which was mainly attributable to the placement of a bank deposit with original maturity over three months of RMB35.0 million.

Net cash generated from/(used in) financing activities

Our Group's cash inflow from financing activities was mainly generated from the capital injection contributed by the equity-holders to increase the registered and paid-up capital of Success Guarantee and proceeds arising from re-organisation of our Group. In order to maintain an adequate level of working capital and net asset value of Success Guarantee for continuous business development, our Group did not declare and pay any dividend during the Track Record Period.

For the year ended 31 December 2010, there was no net effect on our Group's investing activities, because advances from related parties of RMB1.0 million was completely offset by repayments to related parties at exactly the same amount during the year.

For the year ended 31 December 2011, net cash generated from our Group's financing activities was approximately RMB53.9 million mainly due to the capital injection of RMB50.0 million by the then equity-holders of Success Guarantee in 2011, and net advances from related parties of approximately RMB3.9 million.

For the year ended 31 December 2012, net cash generated from our Group's financing activities was approximately RMB29.8 million mainly due to capital contribution the approximately RMB39.2 million arising from reorganization of our Group in 2012, which was off-set by a net repayment to related parties amounted to approximately RMB3.9 million and the payment for [●] expenses of approximately RMB5.6 million.

For the five months ended 31 May 2013, net cash used in our Group's financing activities was approximately RMB1.4 million mainly due to the payment for [●] expenses of approximately RMB6.5 million, which was off-set by net advances from related parties amounted to approximately RMB5.2 million.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 31 May
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Equipment	970	1,152	916	831
Interest in associates	—	—	37,959	40,916
Interest in a joint venture	35,436	36,055	—	—
Other non-current assets	1,582	643	55,261	55,407
Pledged bank deposits	60,432	94,633	82,731	106,706
Deferred tax assets	774	—	—	—
Total non-current assets	99,194	132,483	176,867	203,860
Current assets				
Pledged bank deposits	93,785	96,376	103,337	99,227
Trade and other receivables	62,350	17,707	25,491	17,039
Bank deposit with original maturity over three months	—	—	—	35,000
Cash and bank deposits	133,128	166,577	163,155	114,569
Total current assets	289,263	280,660	291,983	265,835
Current liabilities				
Receipts in advance	1,425	975	1,838	1,113
Accruals and other payables	8,384	6,685	4,477	8,380
Customer pledged deposits received	61,901	20,764	2,600	2,100
Current tax liabilities	3,398	2	3,777	1,237
Liabilities from guarantees	28,699	33,532	30,678	27,607
Total current liabilities	103,807	61,958	43,370	40,437
Net current assets	185,456	218,702	248,613	225,398
Non-current liabilities				
Customer pledged deposits received	41,783	19,923	9,980	1,550
Liabilities from guarantees	8,168	11,688	7,679	4,434
Deferred tax liabilities	—	370	2,213	2,963
	49,951	31,981	19,872	8,947
Net assets	234,699	319,204	405,608	420,311

Equipment

Our Group's equipment mainly comprised motor vehicles, and office and other equipment with net book value of approximately RMB0.6 million and RMB0.4 million respectively as at 31 December 2012, the aggregate balances of which as at 31 May 2013 amounted to approximately RMB0.8 million and had been relatively stable during the Track Record Period.

Interest in associates

As at 31 December 2012 and 31 May 2013, our Group had an investment in an associate, namely Success Credit, which was acquired by us in December 2012. Our Group has significant influence over the operating and financial policies of Success Credit by appointing three out of nine representatives in the board of directors thereof. Success Credit has principally engaged in small credit financing for SMEs. The balance of approximately RMB38.0 million and RMB40.9 million as at 31 December 2012 and 31 May 2013, respectively was solely attributable to our Group's investment cost and share of net assets and profits for the period after acquisition of Success Credit. The increase in the balance of interest in associates was due to the share of profits of Success Credit of approximately RMB2.9 million for the five months ended 31 May 2013.

During the year ended 31 December 2011, an associate, namely Foshan Success Credit Rating Co., Ltd., was jointly set up by our Group with related parties in August 2011 with effective equity interest of 40%, but which had been remaining dormant and was subsequently disposed of to a related party in December 2011 at book value of RMB4.0 million. As such, no balance was recorded as at the year-end date on 31 December 2011 and 2012.

Interest in a joint venture

Interest in a joint venture represents the 51% equity interest in Success Futures held by our Group. Success Futures has principally engaged in future brokerage business in the PRC. The contribution of Success Futures did not form a significant portion of our Group's business operation, we had shared profits/(losses) from Success Futures of approximately RMB1.9 million, RMB0.6 million and RMB(0.3) million during the three years ended 31 December 2012 respectively. Success Futures was disposed of by our Group in October 2012 at a consideration of approximately RMB30.9 million with a net gain on disposal recognized by us of approximately RMB2.4 million.

Other non-current assets

Other non-current assets as at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted to approximately RMB1.6 million, RMB0.6 million, RMB55.3 million and RMB55.4 million respectively.

Among the non-current assets of approximately RMB55.3 million and RMB55.4 million as at 31 December 2012 and 31 May 2013 respectively, RMB54.3 million derived from the related party transaction between Success Guarantee and Foshan Finance, and the related party transaction between Success Asset and Foshan Finance. Please refer to sub-paragraph headed "Balances with related parties" in this section for details of the related party transactions.

Pledged bank deposits

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group's pledged bank deposits amounted to approximately RMB154.2 million, RMB191.0 million, RMB186.1 million and RMB205.9 million respectively, of which, approximately RMB93.8 million, RMB96.4 million, RMB103.3 million and RMB99.2 million were classified as current assets of our Group while the respective balances of which were classified as non-current assets.

All of the pledged bank deposits were deposited to specific accounts at banks or financial institutions as securities for financial guarantee granted by the banks to our customers. The higher balance of pledged bank deposits as at 31 December 2011 and 2012 and 31 May 2013 were mainly due to the additional pledged bank deposits required by banks as a consequence of increase in financial guarantees granted by our Group to customers.

Cash and bank deposits

Included in cash and bank deposits were bank deposits with maturity of less than three months, which amounted to approximately RMB133.1 million, RMB166.6 million, RMB163.2 million and RMB114.6 million (including respective balance of customer pledged deposits of approximately RMB40.7 million, RMB12.6 million and RMB3.7 million as at 31 December 2011 and 2012 and 31 May 2013) as at 31 December 2010, 2011 and 2012 and 31 May 2013 respectively.

Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, our Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011. The arrangements include: (a) enter into tripartite custodian agreement among lending bank, customer and our Group for ensuring the entrustment of lending bank to manage the deposits; (b) deposit the pledged deposit received from the customer into a designated custodian bank account; and (c) such deposit is not available for use by our Group. However, the aforesaid rules and regulations are not enforceable to banks, so our Group could not enter into tripartite custodian arrangements with certain lending banks. For those guarantee services without setting up tripartite custodian arrangements, our Group has maintained the restricted customer pledged deposits received in our Group's bank accounts. As at 31 December 2011 and 2012 and 31 May 2013, the restricted customer pledged deposits received maintained at our Group's bank accounts were approximately RMB40.7 million, RMB11.0 million and RMB2.1 million respectively; while the same placed at designated custodian bank accounts were nil, approximately RMB1.6 million and RMB1.6 million as at the respective year-end/period-end dates. For the purpose of the consolidated statements of cash flow, the customer pledged deposits received by our Group had been excluded from cash and cash equivalents and cash flow from operating activities since 31 March 2011.

Trade and other receivables

Trade and other receivables as at 31 December 2010, 2011 and 2012 and 31 May 2013 were approximately RMB62.3 million, RMB17.7 million, RMB25.5 million and RMB17.0 million respectively. The following table sets out major items of the trade and other receivables balance as at the end of each of the Track Record Period:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors	—	—	1,484	1,721
Payment on behalf of customers	16,042	20,194	25,044	16,110
Amount due from related parties	43,612	3,960	50	50
Other receivables	19,450	10,830	8,628	7,891
Deferred and prepaid expenses	315	818	3,715	4,697
	79,419	35,802	38,921	30,469
Less: allowance for doubtful debts	(17,069)	(18,095)	(13,430)	(13,430)
	62,350	17,707	25,491	17,039

Trade debtors

The balance of trade debtors of approximately RMB1.5 million and RMB1.7 million as at 31 December 2012 and 31 May 2013, respectively, represented service fee income receivable from customers.

Payments on behalf of customers

Payments on behalf of customers mainly represents [default loan amount repaid by our Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by our Group on behalf of our customers. Our Group will then subsequently request repayment from our customers or take procession of the counter-guarantee assets provided by such customers to recover the outstanding balance. Payments on behalf of customers were interest bearing and our Group holds certain collaterals over certain customers. Payments on behalf of customers as at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted to approximately RMB16.0 million, RMB20.2 million, RMB25.0 million and RMB16.1 million respectively. The entire amount of the RMB16.1 million payments on behalf of customers as at 31 May 2013 has not been settled as at the Latest Practicable Date.

As at 31 December 2010 and 2011, payments on behalf of customers amounted to approximately RMB2.1 million and RMB1.9 million (net of provision of RMB8.8 million and RMB9.1 million), and two other receivables amounted to RMB2.7 million (net of two impairment provisions of approximately RMB6.4 million for 2010 and 2011 respectively), respectively, were pledged as deposits to a related party, namely Foshan Dacheng Investment Co., Ltd. (佛山市大成投資有限公司), a company of which 100% interest is held by Mr. Zhang, Mr. Pang, Mr. Xu and Foshan Finance during the period from 23 January 2011 to 18 June 2012 for guarantee referral services provided. The pledged receivables were released pursuant to a supplementary agreement entered into between the related party and Success Guarantee on 10 October 2012. In December 2012, certain aforesaid payments on behalf of customers amounted to approximately RMB1.1 million (net of impairment provision of RMB3.6 million) and other receivable amounted to approximately RMB2.7 million (net of impairment provision of RMB0.3 million), together with other payments on behalf of customers were factored without recourse to a factoring house, namely China Cinda Assets Management Co., Ltd. ("Cinda") at approximately RMB16.4 million.

On 21 December 2012, payments on behalf of customers amounted to approximately RMB10.9 million (net of impairment provision of approximately RMB5.4 million) and other receivables amounted to approximately RMB2.7 million (net of impairment provision of RMB0.3 million) were factored without recourse to Cinda at approximately RMB13.9 million and RMB2.5 million, respectively. Net gain on factoring of approximately RMB2.8 million was recognised as written back of impairment provision for the year ended 31 December 2012. Amounts receivable from Cinda amounted to RMB13.9 million and RMB2.5 million were recorded as payments on behalf of customers and other receivables, respectively, as at 31 December 2012. The aggregate amount of approximately RMB16.4 million was fully settled in January 2013.

Our Group generally did not grant credit terms to its customers because of its nature of business. The following is an ageing analysis of our Group's trade debtors and payment on behalf of customers that are past due but not impaired as at 31 December 2010, 2011 and 2012 and 31 May 2013 were as follows:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors				
0 — 30 days	—	—	803	—
30 — 90 days	—	—	—	50
91 — one year	—	—	681	1,671
	—	—	1,484	1,721
Payments on behalf of customers				
0 — 30 days	—	498	—	—
30 — 90 days	—	55	15,855	—
91 — one year	1,691	3,919	1,859	6,921
Over one year	14,351	15,722	7,330	9,189
	16,042	20,194	25,044	16,110
Less: allowance for doubtful debts	(10,674)	(11,700)	(7,330)	(7,330)
	5,368	8,494	17,714	8,780

Our Directors consider that the carrying amounts of trade receivables and payment on behalf of customers approximate their fair values. As at 31 May 2013, there were trade and other receivables amounted to RMB17.8 million (included payment on behalf of customers of RMB16.1 million). Our Group calculated the estimated recoverable amount through the present value of the estimated future cash flows/expenditures focuses on customers' financial status and ability to pay and information specific to the customers, and compared the carrying amount of approximately RMB17.8 million to the present value of the estimated recoverable amount of approximately RMB10.5 million, of which approximately RMB7.3 million provision was made for the differences. As at the Latest Practicable Date, approximately RMB[1.7] million was subsequently settled after 31 May 2013. For the remaining unprovided amounts of approximately RMB[8.8] million, our Group assessed that they are expected to be recovered through repayment from proceeds of insurance claims and disposal of collaterals held by our Group. Accordingly, our Group considered that no additional provision is required for the remaining net exposure.

Set out below is a summary of default cases ("**default cases**") where our customers defaults on loans guaranteed by us and the relevant lenders required compensation from us during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the period from 1 January 2013 and up to the Latest Practicable Date
	2010	**2011**	**2012**	
Number of new default cases *(note 1)*	[1]	[5]	[8]	[1]
Default rate *(note 2)*	[0.2]%	[1.3]%	[1.1]%	[0.3]%
Guarantee amount attributable to the new default cases (RMB million)	[2.5]	[27.0]	[28.5]	[5.0]
Approximate value of collaterals provided to us (RMB million) *(note 3)*	[9.4]	[166.3]	[81.0]	[18.9]
Actual amount indemnified by us (RMB million) *(note 4)*	[2.2]	[20.7]	[17.0]	5.0
Shortfall between the amount guaranteed by us and the value of collaterals provided to us *(note 5)*	N/A	N/A	N/A	N/A
Actual loss incurred by us (RMB million)	Nil	[0.1]	[1.1]	Nil
Provision for trade receivables recognised in the consolidated statements of profit or loss of our Group (RMB million)	[0.8]	[1.0]	[1.1]	[0]
Actual loss rate *(note 6)*	[0]%	[0.01]%	[0.07]%	[0]%
Status of default cases	No potential or on-going litigation *(note 7)*	No potential or on-going litigation *(note 7)*	No potential or on-going litigation in [five] cases *(note 7)*; enforcement of judgment against collateral in progress in [two] cases; [one] on-going litigation *(note 8)*	[Enforcement of judgment against collateral in progress]

Notes:

1. During the Track Record Period and up to the Latest Practicable Date, all default cases were related to the financial guarantees provided by us; and we had not been required to provide any compensation in respect of the litigation guarantees and/or performance guarantees provided by us.

2. The default rate represents the ratio of the total actual amount indemnified by us to the total outstanding balance of guarantee amount provided by us as at the end of the same period.

3. The value of collaterals provided to us represents the total value of collaterals and/or counter-guarantee provided to us in respect of the guarantee contract(s) for the default case(s) occurred during the relevant year/period, according to our internal valuation based on our valuation method adopted after the 2013 Valuation Capability Enhancement. Further details of the valuation methods are set out in the section headed "Business — Internal control and risk management" in this document.

4. The actual amount indemnified by us also represented the total amount of payments initially made by our Group on behalf of our guarantee clients in default to the relevant banks or financial institutions in respect of default cases occurred during the relevant year/period before realisation of collaterals provided by such clients.

5. During the Track Record Period and up to the Latest Practicable Date, the value of collaterals (according to our internal valuation) exceeds the loan amount guaranteed by us in respect of each of the default cases.

6. The loss rate represents the ratio of the total amount of loss incurred on the default cases (being the total amount indemnified by us net of repayment made by our customers, proceeds from the realisation of collaterals and/or other means of debt recovery) to the total outstanding balance of guarantee amount provided by us as at the end of the same period.

7. For the default case during the year ended 31 December 2010, we recovered the amount we indemnified in full through the realisation of collaterals, the recovery process of which lasted for approximately 29 months since the date when indemnification was made. For the ten default cases during the two years ended 31 December 2012 with no potential or on-going litigation, we fully or partially recovered the amount we indemnified through repayments from our customers or through factoring, the recovery process of which lasted for less than a month and approximately 2 to 24 months since the date when indemnification was made, respectively. We did not realise the relevant collaterals in these ten default cases.

8. In the on-going litigation in respect of such default case, the court accepted (i) our claim against the relevant customers for the repayment of an aggregate amount of approximately RMB2.0 million comprising, among others, the actual amount indemnified by us and the relevant penalty under the guarantee contract on 25 January 2013; and (ii) our application for property preservation over the collaterals provided to us by such customers on 31 January 2013. The first instance for the hearing was held in April 2013, but the defendants were absent for presentation at the court. [As at the Latest Practicable Date, the date for the next proceeding is yet to be fixed by the court.]

Our Directors believe that the low default rate experienced by us demonstrates our risk assessment and management capability which, in turn, enable us to better control and minimise our credit risks and maintain our profitability. Having prudently considered the individual and collective assessment on the total outstanding balance of aggregate guarantee amount as at 31 May 2013, our Group believes that its estimation of impairment provision for trade and other receivables and losses from guarantee businesses is reasonable and adequate.

Provision policy of our Group

Our Group makes provision on guarantees issued if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "**loss event**") and that loss event(s) has an impact on the estimated future cash flows of the guarantees or group of guarantees that can be reliably estimated.

Basis of provision against the outstanding guarantee value

Our Group assesses (either individually or collectively) the contingent liabilities arise from its outstanding guarantee value in accordance with HKFRS 37 and HKFRS 39. If it is determined that our Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities) and if it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimated can be made, then a "Provision for guarantee losses" is recognised and the loss is recognised in the statement of profit or loss. The provisions are determined by using individual and collective assessments for the outstanding guarantees as at the end of the reporting period. Provisions are stated at the present value of the expenditure expected to settle the obligation.

For all non financial guarantees (i.e. performance and litigation guarantees) and those financial guarantees which are considered individually significant, our Group performs individual credit evaluation on the customers to determine whether our Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities).

The historical default rate, loss rate and economy cycle are considered by our Group to be indicators of losses from its financial guarantee business. Default rate is the rate at which guarantee holders default on the guaranteed loans amount that they owe. Loss rate is the rate at which loss incurred by our Group for the defaulted amounts.

For those financial guarantees that are not considered individually significant and those financial guarantees that have been individually assessed, but for which there is no objective evidence of losses, our Group adopts a methodology to collectively assess whether there is objective evidence that losses on group of financial guarantees are already incurred. For the purposes of a collective evaluation of losses, financial guarantees are grouped on the basis of similar risk characteristics and use a methodology which utilised a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

If it is probable that an outflow of economic benefits will be required to settle the obligation arising from the individual and collective assessments, provisions will be recognised as liabilities in the consolidated balance sheet item "Liabilities from guarantees" and the losses are included in "impairment and provision (charged) / written back" in the consolidated statement of profit or loss.

Basis of provision of impairment for "payment on behalf of customers"

When customers default on settling the loans advanced from banks, our Group is required to honor the guarantee contracts and required to settle the loans on behalf of customer. Accordingly, our Group records the "Payments on behalf of customers" as "Trade receivables".

Our Group performs individual credit assessments for those recorded trade receivables. If there is objective evidence of impairment of trade receivables, the loss is measured as the excess of its carrying amount over the present value of the estimated future cash inflows, discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows focuses on individual customer's financial status and information specific to the customers, including cash flows generated from operation or insurance claims, foreclosure less costs for obtaining and selling the collateral, and any customers' pledged cash deposit received.

For those trade receivables that have been individually assessed, but for which there is no objective evidence of losses, our Group groups these receivables on the basis of similar risk characteristics and collectively assessed for losses. The collective assessment utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

The losses arising from individual and collective assessments are deducted from the carrying value of the "Trade receivables" on the balance sheet and the losses are included in "Impairment and provision (charged) / written back" in the consolidated statement of profit or loss of our Group.

In conclusion, our Group adopts both individual and collective methods to assess impairment for trade and other receivables and losses aroused from guarantees issued. "Impairment provision for trade receivables" is to be made by individual assessment when possible default by customer(s) is anticipated on a case-by-case basis; while "Provision for guarantee losses" shall be made by collective assessment on the outstanding guarantees issued on a portfolio and yearly basis at each year-end date of a financial year during the Track Record Period. Our Group has frequently made individual assessment on the outstanding guarantees issued from time to time prior to any foreseeable customers' default, while collective assessment on the same on a yearly basis at the time of finalisation of the audited consolidated financial statements of our Group.

Amount due from related parties

Amount due from related parties during the Track Record Period consisted of cash advance to related parties, the amounts were unsecured, interest free and repayable on demand, which in aggregate amounted to approximately RMB43.6 million, RMB4.0 million, RMB50,000 and RMB50,000 as at 31 December 2010, 2011 and 2012 and 31 May 2013 respectively.

As advised by our PRC Legal Advisers, the advances to related parties, mainly referring to Success Holdings, by our Group during the Track Record Period did not comply with the relevant PRC laws and regulations for loans and advances, pursuant to which, enterprises engaged in unauthorised lending could be subject to a penalty between one to five times of the income generated under such activities, and the PRC court shall regard the relevant agreement as invalid contract, but given that (i) no interest has been charged by our Group in relation to such advances; (ii) all such advances have been repaid; and (iii) there were no legal disputes in connection with such advances, there was no material risks in relation to being penalised by the relevant regulatory financial authorities to our Group. As at 31 May 2013, all outstanding amounts due from the related parties had been fully settled.

During the Track Record Period, there was cash advance to a staff of RMB50,000 due from the vice general manager of Success Guarantee for business purpose, which has been and will be settled from time to time after his business trips by presenting proof of business trip expenses. As at 31 May 2013, the cash advance of RMB50,000 had still remained outstanding.

Other receivables

Included in the other receivables mainly represented the balances receivable from third parties amounted to approximately RMB2.7 million (net of impairment provision of approximately RMB6.4 million) as at 31 December 2010 and 2011, which was factored without recourse to a factoring house, namely Cinda, at RMB2.5 million. During the Track Record Period, our Group’s certain amounts of trade receivables from its default customers were also factored to Cinda, because their recoverability was considered remote.

As at 31 May 2013, there was interest on bank deposits receivable of approximately RMB1.5 million.

Deferred and prepaid expenses

As at 31 December 2010, 2011 and 2012 and 31 May 2013, deferred and prepaid expenses amounted to approximately RMB0.3 million, RMB0.8 million, RMB3.7 million and RMB4.7 million mainly comprised the professional fees and expenses incurred and paid for the [●] of our Group.

Accruals and other payables

Accruals and other payables as at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted approximately RMB8.4 million, RMB6.7 million, RMB4.5 million and RMB8.4 million respectively.

As at 31 December 2011 and 2012 and 31 May 2013, other payables mainly consisted of certain expenses payable in respect of the [●] of our Group amounted to approximately RMB1.6 million, RMB2.0 million and RMB5.6 million respectively; other accrued expenses mainly comprised advertising expenses, salaries and staff welfare payables etc. as at the year end dates.

Customer pledged deposits received

The customer pledged deposits received as at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted to approximately RMB103.7 million, RMB40.7 million, RMB12.6 million and RMB3.7 million respectively; of which, approximately RMB61.9 million, RMB20.8 million, RMB2.6 million and RMB2.1 million were classified as current liabilities as at the relevant year end/period-end dates respectively. Customer pledge deposits received represent deposits received from our customers as collateral security or counter-guarantee to our Group’s provision of financial and/or non-financial guarantees to them when entering into the respective guarantee agreements. The customer pledged deposits received were interest free. In respect of financial guarantee, the customer pledged deposits received will be refunded to the customers when the customers’ interest-bearing loan had been fully repaid to the relevant banks and/or financial institutions and our guarantee obligation has fully been released. In respect of non-financial guarantee, the customer pledged deposits will be refunded to the customers when our litigation and/or performance guarantee obligation has been released.

The decreasing trend of balances of the customer pledged deposits received was mainly due to our Group's practice to lower the reliance on cash or bank deposits as counter-guarantee and replaced by other types of counter-guarantees such as, land use rights, properties, machineries, equipment and etc. during the Track Record Period.

Current tax liabilities

As at 31 December 2010, 2011 and 2012 and 31 May 2013, our Group's current tax liabilities amounted to approximately RMB3.4 million, RMB2,000, RMB3.8 million and RMB1.2 million respectively. Success Guarantee had paid PRC income tax of approximately RMB14.2 million in 2011 in excess of its actual PRC income tax liability of approximately RMB10.8 million for the year ended 31 December 2011, so the excessive tax payment had mostly set-off the current tax liabilities of our Group as at 31 December 2011.

Liabilities from guarantees

Liabilities from guarantees comprised deferred income from provision for financial and non-financial guarantees to customers by our Group, and provision of financial guarantee losses.

The following table sets out the deferred income balances as at each year end dates during the Track Record Period, which were classified under liabilities from guarantees:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
— Deferred income	22,425	25,291	23,815	20,401
— Provision of guarantee losses	6,274	8,241	6,863	7,206
	28,699	33,532	30,678	27,607
Non-current				
— Deferred income	8,168	11,688	7,679	4,434
	36,867	45,220	38,357	32,041

Deferred income

Our Group received guarantee fee upfront upon signing of the guarantee agreement. Should the guarantee period exceeds one financial year, the guarantee income will be amortized throughout the guarantee period and the unearned portion will be recognized as deferred income as at the relevant year-end dates. Our Group's financial and non-financial guarantee contracts generally ranges from six months to three years.

Provision of guarantee losses

Included in liabilities from guarantees of our Group, provision of guarantee losses as at 31 December 2010 and 2011 and 2012 and 31 May 2013 amounted to approximately RMB6.3 million, RMB8.2 million, RMB6.9 million and RMB7.2 million respectively.

When determining the amounts to be recognised in respect of liabilities arising from the financial guarantee business, our Group's management estimates the provision based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the financial guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.

REGULATORY RESERVE

According to the Interim Measures, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year/period, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC, which had a grace period till 31 March 2011. Our Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011. According to the details implementation guidance No. 149 issued by the People's Government of Guangdong Province on the Interim measures, the use of the regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guangdong Province. As at 31 December 2011 and 2012 and 31 May 2013, the balances of regulatory reserve amounted to approximately RMB31.6 million, RMB42.9 million and RMB48.2 million respectively.

KEY FINANCIAL RATIOS

Our Group is principally engaged in the provision of financial and non-financial guarantees and financial consultancy services to enterprises, mainly SMEs, in the PRC. Since our Group has not been involving in manufacturing or trading activities etc., those common working capital management indicators such as inventory turnover days, trade receivable turnover days and trade payable turnover days are not applicable to our situation. However, other common key financial ratios are set out below:

	For the year ended 31 December			For the five months ended 31 May
	2010	**2011**	**2012**	**2013**
	%	%	%	%
Current ratio	278.7	453.0	673.2	657.4
Return on assets	6.6	8.4	10.2	N/A
Return on equity	11.6	12.5	13.2	N/A

Notes:

1. Current ratio equals current assets divided by current liabilities as at the end of the relevant year/period, and multiplied by 100%.

2. Return on assets is derived by profit attributable to equity shareholders of our Company for the relevant year divided by total assets as at the end of the relevant year and multiplied by 100%.

3. Return on equity is divided by profit attributable to equity shareholders of our Company for the relevant year divided by the weighted average balance of total equity as at the beginning and end of the relevant year and multiplied by 100%.

Our Group's current ratio had a general increasing trend, which increased from approximately 278.7% as at 31 December 2010 to 453.0% as at 31 December 2011, then further to 673.2% as at 31 December 2012. As at 31 May 2013, our Group's current ratio slightly decreased to approximately 657.4% mainly due to the transfer of some cash resources originally under current assets to pledged bank deposits under non-current assets. Such pledged bank deposits will be released when the relevant guarantee contracts mature. The generally continuous increase in the current ratio during the Track Record Period was mainly contributed by the increase in pledged bank deposits and cash and bank deposits as a result of the expansion of our business, while the persistent decrease in current liabilities mainly due to the decrease in customer pledged deposits received as mentioned above.

Our Group's return on assets generally increased from approximately 6.6% for the year ended 31 December 2010 to 8.4% for the year ended 31 December 2011, and then to 10.2% as at 31 December 2012. The continuous increase in return on assets was generally in line with the increase in net profit attributable to equity shareholders of our Company during the three years ended 31 December 2012.

Our Group's return on equity had been increasing steadily over the Track Record Period at around 11.6% in 2010, 12.5% in 2011 and up to 13.2% for the year ended 31 December 2012. The continuous increase in return on assets was generally in line with the increase in net profit attributable to equity shareholders of our Company during the three years ended 31 December 2012.

WORKING CAPITAL

	As at 31 December			As at 31 May	As at 31 August
	2010	**2011**	**2012**	**2013**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Pledged bank deposits	93,785	96,376	103,337	99,227	89,736
Trade and other receivables	62,350	17,707	25,491	17,039	21,603
Bank deposits with original maturity over three months	—	—	—	35,000	—
Cash and bank deposits	133,128	166,577	163,155	114,569	196,397
Total current assets	289,263	280,660	291,983	265,835	307,736
Current liabilities					
Receipts in advance	1,425	975	1,838	1,113	1,528
Accruals and other payables	8,384	6,685	4,477	8,380	7,304
Customer pledged deposits received	61,901	20,764	2,600	2,100	—
Current tax liabilities	3,398	2	3,777	1,237	803
Liabilities from guarantees	28,699	33,532	30,678	27,607	25,672
Total current liabilities	103,807	61,958	43,370	40,437	35,307
Net current assets	185,456	218,702	248,613	225,398	272,429

Our Group's current assets primarily comprise pledged bank deposits, trade and other receivables and cash and bank deposits. Our current liabilities primarily comprise receipts in advance, accruals and other payables, customer pledged deposits received, current tax liabilities and liabilities from guarantees (including deferred income and provision of guarantee loss).

Our Group had been in net current asset position during the Track Record Period and the working capital (net current asset) had been improving from approximately RMB185.5 million as at 31 December 2010 to RMB248.6 million as at 31 December 2012, but slightly decreased to approximately RMB225.4 million as at 31 May 2013 mainly due to the transfer of some cash resources originally under current assets to pledged bank deposits under non-current assets. Such pledged bank deposits will be released when the relevant guarantee contracts mature. Such increase was mainly contributed by the combine effect of (i) the increase in pledged bank deposits and cash and bank deposits by approximately RMB39.6 million from approximately RMB226.9 million as at 31 December 2010 to approximately RMB266.5 million as at 31 December 2012; and (ii) the significant decrease in customer pledged deposits received by approximately RMB59.3 million from approximately RMB61.9 million as at 31 December 2010 to merely RMB2.6 million as at 31 December 2012.

As at 31 August 2013, being latest practicable date for ascertaining the financial information of our Group, our Group had net current assets of approximately RMB272.4 million, mainly comprising cash and bank deposits (excluding pledged bank deposits) of approximately RMB196.4 million. The considerable improvement in net current assets was mainly due to the transfer of some cash resources from pledged bank deposits previously grouped under non-current assets as at 31 May 2013 to cash and bank deposits as at 31 August 2013.

Our Directors are of the opinion that, taking into account the financial resources available to us and [●], we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

INDEBTEDNESS

As at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 August 2013, our Group did not have any other outstanding mortgages, charges, debentures, bank overdrafts loans, liabilities under acceptance or other indebtedness, hire purchase and finance lease commitments or other material contingent liabilities.

As at 31 December 2010, 2011 and 2012, 31 May 2013 and 31 August 2013, our Group had an aggregate customers' outstanding guarantee amount of approximately RMB1,066.5 million, RMB1,544.5 million, RMB1,483.5 million, RMB1,539.1 million and RMB1,421.6 million respectively.

BALANCES WITH RELATED PARTIES

The following table sets out the outstanding balances of the amounts due from and due to related parties as at each year/period ended during the Track Record Period:

	As at 31 December			**As at 31 May**
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from related parties				
Foshan Finance	—	—	54,300	54,300
Xiangsheng Steel	—	—	101	
Success Holdings	43,412	3,860	—	—
Success Insurance	50	50	—	—
Mr. Zhang Tiewei	100	—	—	—
Mr. Yuan Chen	50	50	50	50
	43,612	3,960	54,451	54,350
Amount due to related parties				
Foshan Dacheng Investment Co., Ltd.	—	3,919	—	—

A. Joint development and sale and purchase of a commercial building

The amount due from Foshan Finance as at 31 December 2012 of RMB54.3 million in aggregate was derived from a related party transaction between Success Guarantee and Foshan Finance amounted to

RMB27.0 million, and a related party transaction between Success Asset and Foshan Finance amounted to RMB27.3 million. Both related party transactions were in connection with the joint development or sale and purchase of a commercial building (the "**Commercial Building**") located at Foshan Xincheng (佛山新城) of Foshan City, the Guangdong Province, the PRC. The joint development project involved Success Guarantee, Foshan Finance and six other parties (the "**Six Other Parties**").

The Six Other Parties involved in the joint development project are Success Credit (an associate of our Group), Success Futures, 佛山市奇雅企業管理有限公司 (Foshan Qiya Enterprise Management Company Limited) ("**Foshan Qiya**")[Note 1], 佛山市盛世集成投資有限公司 (Foshan Shengshi Jicheng Investment Company Limited) ("**Shengshi Jicheng**")[Note 2], 佛山市盛世嘉友投資有限公司 (Foshan Shengshi Jiayou Investment Company Limited) ("**Shengshi Jiayou**")[Note 3] and 佛山市順德集成投資發展有限公司 (Foshan Shunde Jicheng Investment Development Limited) ("**Shunde Jicheng**")[Note 4]. The Six Other Parties are related parties of our Group.

Notes:

1. Foshan Qiya is a limited liability company established under the laws of the PRC on 31 March 2012 which is owned as to 51% by Guangdong Jiayou. Guangdong Jiayou is owned as to 35% by Success Holdings (a company wholly owned by Mr. Zhang, Mr. Xu, and Mr. Pang), 33.15% by Mr. Zhang, 16.25% by Mr. Xu, and 15.6% by Mr. Pang.

2. Shengshi Jicheng is a limited liability company established under the laws of the PRC on 6 April 2012 which is owned as to 51% by Foshan Finance and 49% by Foshan Success Industry Investment Company Limited (佛山市集成產業投資有限公司). Both Foshan Finance and Foshan Success Industry Investment Company Limited are wholly owned by Mr. Zhang, Mr. Xu and Mr. Pang.

3. Shengshi Jiayou is a limited liability company established under the laws of the PRC on 1 April 2012 which is owned as to 51% by Foshan Finance and 49% by Foshan Success Credit Rating Company Limited (佛山市集成資信評估有限公司). Both Foshan Finance and Foshan Success Credit Rating Company Limited are wholly owned by Mr. Zhang, Mr. Xu and Mr. Pang.

4. Shunde Jicheng is a limited liability company established under the laws of the PRC on 10 April 2012 which is owned as to 68% by Foshan Finance. Foshan Finance is wholly owned by Mr. Zhang, Mr. Xu and Mr. Pang.

As advised by our PRC Legal Advisers, the land for the Commercial Building was specified to be used for commercial and financial purposes and it is common and legal for the relevant local authority to impose specific conditions under the relevant notice of tender, which in this case stipulated that the bidder has to be (i) a financial service corporation holding a financial licence issued by China Securities Regulatory Commission, China Banking Regulatory Commission or China Insurance Regulatory Commission; or (ii) an entity authorised by the local financial authority to set up a financial service corporation. Since Foshan Finance has the financial licence as required under the notice of tender, Foshan Finance was elected to act as the representative to lead the whole tender and development process.

After the successful tender, Success Guarantee, Foshan Finance and the Six Other Parties have entered into a land use rights grant contract ("**Land Use Rights Grant Contract**") with 佛山市國土資源和城鄉規劃局 (Foshan Land Resources and Urban Planning Bureau) pursuant to which Success Guarantee has subscribed for 3.5% interest of the land use rights over the land of the Commercial Building. Foshan Finance has fully paid the consideration to the relevant governmental bureau on behalf of

Success Guarantee and the Six Other Parties. Foshan Finance's principal business activities are the provision of financial and investment related services as authorised under its business licence, and its registered and paid-up capital amounted to RMB220 million. Under Foshan Finance's business licence, it is authorised to engage in, amongst other financial related services, investment in the modern financial industry, investment in the financial services industry, capital management, asset management, business in the sales of insurance products, etc.. We are advised by our PRC Legal Advisers that Foshan Finance does not need to be a qualified PRC property developer for the whole tender and development process. Hence, Foshan Finance engaged a PRC qualified constructor for the construction of the Commercial Building.

After obtaining the land development right, in order to fix and secure the costs under the joint development project, Success Guarantee entered into an agreement on 6 April 2012 with Foshan Finance for the acquisition of office premises of 4,000 sq.m. in the Commercial Building upon its completion at a consideration of RMB27.0 million (which included approximately RMB6.1 million, representing 3.5% of the costs of the land use rights of RMB174.48 million, paid under the Land Use Rights Grant Contract). Such consideration was determined with reference to the cost of land use rights plus the anticipated construction costs of the Commercial Building as agreed among the parties. Pursuant to the agreement, the consideration was payable in one lump sum on or before 15 April 2012 and the same was paid directly to Foshan Finance for settling part of the construction costs of the Commercial Building on 12 April 2012.

Success Asset did not participate in the tender of the land of the Commercial Building. In October 2012, Success Asset decided to acquire the office premises of 1,800 sq.m. located at the podium level of the Commercial Building upon its completion. At that time, a PRC qualified constructor, 開平市住宅建築工程集團公司 (Kaiping Residential Construction Engineering Group Company), an Independent Third Party, has already been subcontracted and appointed as the constructor for the Commercial Building. A tripartite agreement was therefore entered into between Success Asset, Foshan Finance and the constructor under which Success Asset can acquire the office premises upon completion of the Commercial Building at a consideration of RMB27.3 million, which was determined based on an internal valuation report which referred to, extracted or based on a professional valuation report prepared by an external professional valuer. Due to the confidentiality agreement with the external professional valuer, the report could not be disclosed. However, the internal valuation report (which was prepared by our Group's staff who were not professional valuers) referred to, extracted or based on the data used in the professional valuation report and the publicly available market data, such as the prices and rentals of similar properties in the vicinity. Pursuant to the tripartite agreement, the consideration was payable in one lump sum on or before 16 October 2012 and the same was paid directly to the constructor on behalf of Foshan Finance on 16 October 2012 for settling part of the construction costs due to administrative convenience.

In light of the details and rationale of the prepayments on the acquisition of properties, the [●] consider that the prepayments shall not be regarded as a loan or financial assistance provided to our Controlling Shareholders by nature.

The purchase price per square metre of office premises acquired by Success Guarantee and Success Asset were RMB6,750 and RMB15,000, respectively. The difference in price per square metre between them was mainly due to the difference in nature and location of the premises. The premises chosen by Success Guarantee were typical office premises located in the Commercial Building, whereas the premises chosen by Success Asset were located at the podium level which have a higher floor to ceiling clearance comparing to typical office level and have easy accessibility by members of the public. As a result of the more versatile nature of podium level premises, they generally have a much higher purchase price comparing to other typical office premises. As far as our Directors are aware, the prevailing market rate of property in the vicinity of the Commercial Building for podium level premises ranged from approximately RMB18,000 to RMB78,000 and for office tower premises ranged from approximately RMB8,400 to RMB21,000. The difference in price range for each category of premises is heavily dependent on the age, location and facilities of the relevant building. Taking into account that the Commercial Building will be brand new and located in the heart of the new commercial district in Foshan City, the Guangdong Province, the PRC, our Directors and the [●] consider that the prepayment arrangement and purchase price paid by Success Guarantee and Success Asset were on normal commercial terms and negotiated at arm's length basis with reference to the comparable market price in the close vicinity.

Since 2005, Success Guarantee has leased and occupied its current office premises, of which the landlord is a local bank in the PRC, an Independent Third Party. The size of such office premises is 1,100 sq.m. with a monthly rent of RMB42 per sq.m., which is a relatively favourable rental rate as compared to similar office premises in the vicinity. As confirmed by our Directors, such relatively favourable rental rate is attributable to the facts that (i) the office premises were in excess and have been left vacant by the landlord before our occupation and the term of the lease is generally not long; (ii) the building is relatively old and the building facilities are out-dated; and (iii) the parking facilities and surrounding environment are not very satisfactory.

Despite the relatively favourable rental rate of our current office premises, our Group participated in the joint development and sale and purchase of the Commercial Building upon considering the following commercial reasons: (i) Success Guarantee and Success Asset were able to fix the purchase price during the construction stage to protect our Group from any rental fluctuation in the future; (ii) as the headcount of our Group is expected to increase considerably in the coming years, the new premises acquired by Success Guarantee which consist of 4,000 sq.m. of office area can meet our development need for more office space; (iii) the Commercial Building is a higher grade office building located in prime commercial location of Foshan City, the Guangdong Province, the PRC and the proposed name of the Commercial Building will incorporate the trade name of "集成 (Success or Jicheng)", which we consider to be able to help promote and enhance the corporate image of our Group; and (iv) the current office premises had only one 80 sq.m. meeting room for reception, negotiation, meeting and training purposes, and there were insufficient space for computer server and documentation storage. In addition, some departments did not have their own designated departmental area. Our Directors considered that even though our Group can continue to use the current office premises, the new premises which have sufficient floor area can better cater for our business development needs and it is in the best interests of our Group and our Shareholders as a whole to participate into the joint development and sale and purchase of the Commercial Building.

Success Credit, Success Futures and Shunde Jicheng had also entered into similar agreements with Foshan Finance as Success Guarantee; and their transaction considerations were also assessed and determined on the same basis as that of Success Guarantee. On the other hand, Foshan Finance together with Foshan Qiya, Shengshi Jicheng and Shengshi Jiayou are responsible for the financing of rest of the building which had not been taken up by other parties, and they did not enter into agreements and payment arrangement similar to that of Success Guarantee. The reasons for the differences in the payment arrangements are due to each party's different financial consideration and acceptable risk level.

Construction of the Commercial Building has been commenced in March 2013 and was [at the stage of excavating for the foundation of the building] as at the Latest Practicable Date. The construction is expected to complete by 31 March 2016.

The Commercial Building have been contracted to be sold to Success Guarantee, Success Asset and other parties upon completion of the construction of the building. Both aforesaid agreements can be terminated upon mutual consent of the respective parties. According to the aforesaid agreements, Success Guarantee and Success Asset have prepaid RMB54.3 million in total to purchase the agreed floors of building for own office use, and Foshan Finance has the obligation to deliver the agreed floors to our Group after the completion of the construction of the building. In the event that Foshan Finance fails to or delays in the transfer of the office premises which leads to Success Guarantee and Success Asset revoking their respective agreement, the aforesaid prepayments are fully refundable from Foshan Finance together with a default interests of 10% per annum. Under this joint development project and sale and purchase arrangement, Success Guarantee and Success Asset, respectively could fix the purchase price during the construction stage where the prepayments will form part of the construction costs of the Commercial Building. Furthermore, under the respective agreements, Success Guarantee and Success Asset would not be liable to any party for any additional charges for the office premises. As advised by the PRC Legal Advisers, the RMB54.3 million prepayments to Foshan Finance represent the purchase price of the agreed floors of building which include the cost of land use rights and the development cost. In case the transaction is revoked, upon refund of the aforesaid prepayment, Success Guarantee has the obligation to transfer the land use right to Foshan Finance. Because there are chances that Foshan Finance will not be able to deliver the office building on time and the transaction may be revoked, the land use rights may be transferred to Foshan Finance accordingly. In connection with this, our Directors considered that our Group will only be able to get benefit from the use of the land and building upon the delivery of the completed office building. The risk and benefits associated with the land use rights have not been transferred to our Group yet. Therefore, it is appropriate to account for the entire amount paid as prepayment under the relevant accounting standards, prior to the completion of the joint development project and proper transfer of the premises to Success Guarantee and Success Asset.

The whole development project is estimated to cost around RMB900 million, including the costs of the land of RMB174.48 million which had been fully settled in October 2012. Also taking into account the funds raised from the joint development of the Commercial Building have amounted to RMB433 million, the total funds raised for this project have amounted to approximately 50% of the total development costs. In the PRC, it is the common practice that if a development project has raised over 40% of the total funds, banks generally are willing to finance the remaining funding for the project. This development project has already obtained the letter of intent for the loan facility from a bank, indicating that the development project has passed the bank's preliminary assessment for the granting of banking facilities for the completion of the project.

Given that (i) the purchase price for the land and part of the construction costs had already been paid to the relevant governmental authority and the constructor, respectively; (ii) Foshan Finance has already obtained a letter of intent in obtaining the funds for the completion of the project; and (iii) a constructor with extensive experience in construction and project management was engaged, our Directors believed that there would be sufficient resources and experience to complete the construction of the Commercial Building. Our Directors also confirm that during the course of the construction, representatives of Success Guarantee, Foshan Finance and the Six Other Parties will form a committee and hold meeting to jointly monitor the development project and formulate a management system in reviewing the progress of the construction to ensure that the Commercial Building will be completed as planned in March 2016. Our Company will also disclose the progress of the development of the Commercial Building in its interim and annual report after the [●].

In view that the development project has already raised over 50% of the total development costs and has passed the preliminary assessment of the bank, the Directors consider that the chance that Foshan Finance cannot complete the development of the building is relatively remote.

However, as agreed between the relevant parties, in order to minimise the loss to our Group in the event that Foshan Finance fails to complete the Commercial Building and unable to repay the said prepayments under the aforesaid agreements, on 21 October 2013, two supplemental agreements were entered into by Foshan Finance with Success Guarantee and Success Asset, respectively, pursuant to which (i) Foshan Finance agreed to refund approximately RMB20.9 million to Success Guarantee and RMB27.3 million to Success Asset (the refund amount to Success Guarantee is equal to the total prepayment amount of RMB27 million less the land use right premium of approximately RMB6.1 million, being the 3.5% of the costs of the land use rights of RMB174.48 million, which were paid by Foshan Finance to the relevant governmental bureau for and on behalf of and attributable to Success Guarantee); and (ii) upon the premises becoming transferable according to the relevant PRC rules and regulations and the issue of the relevant acknowledgement notices by Foshan Finance, Success Guarantee and Success Asset are required to pay the balance of the consideration of approximately RMB48.2 million to Foshan Finance within 10 days from the receipt of the acknowledgement notices. In the event that agreements are revoked as a result of Foshan Finance's failure or delay in the transfer of the premises, the remaining prepayments of approximately RMB6.1 million will be fully refundable from Foshan Finance together with a default interest payment of 10% per annum. As at 23 October 2013, the aggregated sum of approximately RMB48.2 million refunded to the Success Guarantee and Success Asset, respectively.

The Directors confirmed that the RMB48.2 million refunded by Foshan Finance is intended to be used as general working capital of the Group. The Directors confirmed that in the future, upon completion of the Commercial Building or when the premises becoming transferable according to the relevant PRC rules and regulations, the outstanding payment of RMB48.2 million will be financed by internal resources of our Group at that time.

Save for the agreements entered into by the relevant parties as set out above, no further agreement will be entered into for the acquisition of the premises by Success Guarantee and Success Asset. Our PRC Legal Advisers confirmed that:

(i) the two agreements and the two supplemental agreements entered into by Success Guarantee and Success Asset, respectively are legally binding agreements for the premises, and there is no legal impediment in the PRC for Success Guarantee and Success Asset to obtain the premises upon completion of the Commercial Building pursuant to the agreements;

(ii) the two agreements [and the two supplemental agreements] comply with all the relevant laws and regulations in the PRC and do not violate any laws related to the pre-sale of properties in PRC nor constitute the pre-sales of properties by Foshan Finance which subject to《城市商品房預售管理辦法》(Administrative Rules for the Pre-Sale of Commercial Properties in Urban Areas) ("**Pre-sale Rules**"). Pursuant to the Pre-sale Rules, pre-sale of commercial properties means the pre-sale of commercial properties which is still at the stage of construction by a property developer to unspecified purchasers of the public for a price. Property developers who wish to the properties shall obtain《商品房預售許可證》(licence to the pre-sale of properties), no pre-sale of properties will be allowed without such licence. As advised by our PRC Legal Advisers, the arrangements of Success Guarantee and Success Asset, respectively, do not constitute a pre-sale under the Pre-sale Rules and therefore does not subject to the requirements under the Pre-sale Rules;

(iii) as Foshan Finance settled the 3.5% land use right premium for and on behalf of Success Guarantee for the 3.5% land use rights attributable to Success Guarantee (which could be evidenced by the land use right certificate issued by the relevant governmental bureaux in September 2013), such conducts demonstrated that the prepayment to Foshan Finance by Success Guarantee included the premium for the 3.5% land use rights. Such intention further supported by the supplemental agreement dated [21 October] 2013 entered into between Success Guarantee and Foshan Finance pursuant to which Foshan Finance agreed to refund the full prepayment to Success Guarantee less the land use right premium of approximately RMB6.1 million, being the 3.5% of the costs of the land use right premium of RMB174.48 million;

(iv) pursuant to the land use right certificate issued by the relevant governmental bureaux in September 2013, Success Guarantee owns 3.5% land use rights over the land. Due to the principle of unity of land and property in the PRC, Success Guarantee will also be entitled to own 3.5% over the Commercial Building upon completion by paying the amount of approximately RMB20.9 million (being the outstanding sum pursuant to the supplemental agreement) to Foshan Finance. No transfer has to be made to transfer the 3.5% land use rights from Success Guarantee back to Foshan Finance upon obtaining the premises of the Commercial Building. In an unlikely event that Foshan Finance fails to complete the Commercial Building and refunds the land use right premium of approximately RMB6.1 million in full to Success Guarantee, as Foshan Finance settled the 3.5% land use rights premium for and on behalf of Success Guarantee, application should be made to the relevant governmental bureaux to amend the land use right certificate so as to reflect the change in the ownership of the land use rights from Success Guarantee to Foshan Finance. Upon completion of the Commercial Building, Success Guarantee will be entitled to obtain the office premises of 4,000 sq.m. in the Commercial Building as agreed pursuant to the aforementioned agreement dated 6 April 2012 entered into between Success Guarantee and Foshan Finance. In the event that the office premises obtained by Success Guarantee is not accounted for the share of 3.5% of the Commercial Building, application should be made to the relevant governmental bureaux to amend the land use right certificate so as to reflect the actual percentage of land use right corresponding to the office premises obtained by Success Guarantee; and

(v) in an unlikely event that that Foshan Finance was not able to deliver the office building and refund the cost of land (RMB6.1 million) to our Group, our Group will be able to realise its 3.5 land use rights in the land of the Commercial Building, subject to the approval from the relevant governmental bureau by (i) selling to other parties (or their associated companies) under the land use right certificate; or (ii) selling or auctioning off to other third parties unrelated to this development project.

B. **Cash advance to staff**

As at 31 December 2012 and 31 May 2013, there was cash advance to a staff of RMB50,000 due from the vice general manager of Success Guarantee for business purposes throughout the Track Record Period, which has been and will be settled from time to time after his business trips by presenting proof of business trip expenses and obtaining management approval by our Group. [As at the Latest Practicable Date, such outstanding amounts due from related parties had not been settled.]

The balances with the related parties are unsecured, interest free and have no fixed terms of repayment.

CAPITAL EXPENDITURE

Our Group's capital expenditure incurred for the three years ended 31 December 2012 and the five months ended 31 May 2013 was minimal of approximately RMB111,000, RMB761,000, RMB286,000 and RMB44,000 respectively. The capital expenditure mainly represents acquisitions of motor vehicle and office equipment during the Track Record Period. Our Group's business nature and operation have been relying on our management and professional staff's knowledge and expertise instead of certain capital formation for plant and machinery etc..

In 2012, our Group had made prepayments of RMB54.3 million as the total consideration for acquiring properties in Foshan City, the Guangdong Province, the PRC as set out in the section headed "Financial Information — Balances with related parties" above. The properties are floors of a commercial building, and will be held for own use by our Group.

CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

Our Group's contractual commitments are mainly related to the outstanding guarantee amount of our customers in relation to our financial and non-financial guarantee business and the leases of our Group's office premises.

Outstanding guarantees issued

A summary of our outstanding guarantee amount as at each year/period end during the Track Record Period is set out below:

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial guarantees	1,023,661	1,411,183	1,367,725	1,409,594
Litigation guarantees	24,387	74,850	57,272	71,015
Performance guarantees	18,500	58,500	58,500	58,500
Total	1,066,548	1,544,533	1,483,497	1,539,109
Net assets of Success Guarantee *(Note 1)*	250,828	340,130	346,624	366,341
Multiples	4.25	4.54	4.28	4.20

The total maximum guarantees issued represent the maximum potential loss that would be recognised if counter-parties failed completely to perform as contracted.

Success Guarantee has complied with statutory requirements under the Interim Measures that the total outstanding guarantee balance of a financial guarantee company may not exceed 10 times of its net assets during the Track Record Period. Particularly, our Group monitors regularly the residual balance of outstanding guarantees for single customers and multiples of the total outstanding guarantees in relation to the net assets of Success Guarantee, so as to keep the capital risk within an acceptable limit.

Note 1: The amounts of net assets of Success Guarantee as at 31 December 2010, 2011 and 2012 are extracted from its audited statutory financial statements while the amount of net assets of Success Guarantee as at 31 May 2013 is extracted from its unaudited PRC management accounts, which were prepared in accordance with the relevant PRC accounting standards, relevant laws and regulation in the PRC, whereas our consolidated financial information included in this document is prepared in accordance with HKFRSs. The net assets of Success Guarantee as determined under HKFRSs are approximately RMB234,699,000, RMB319,204,000, RMB367,508,000 and RMB377,459,000 as at 31 December 2010, 2011 and 2012 and 31 May 2013, respectively. The differences between the net assets of Success Guarantee determined under the two accounting standards are primarily related to the recognition of provision for financial guarantee losses and, to a less extent, the timing of guarantee fee income recognition.

Leasing commitment

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

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	562	499	135	436
After 1 year but less than 5 years	473	58	111	72
	1,035	557	246	508

DISTRIBUTABLE RESERVES

There was no reserve available for distribution to our Shareholders as at 31 May 2013, as our Company was incorporated on 12 January 2012. It has not carried out any business since the date of its incorporation save for the transactions related to the Reorganisation.

Our Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011, which had a grace period till 31 March 2011. As at 31 December 2011 and 2012 and 31 May 2013, the balances of regulatory reserve amounted to approximately RMB31.6 million, RMB42.9 million and RMB48.2 million respectively.

As at 31 May 2013, our Group had retained earnings available for distribution of dividend of approximately RMB58.0 million, after our Group's setting aside the accumulated amount of the regulatory reserve of approximately RMB48.2 million for the five months ended 31 May 2013.

DIVIDEND POLICY

The payment and the amount of dividends will be at the discretion of our Directors and will depend on our Group's future operations and earnings, capital requirements and surplus, general financial conditions and other factors which our Directors consider to be relevant. Our Group currently does not have a fixed dividend policy. While we intend to make dividend payment in the future, the form, frequency and amount of future dividends on our Shares will depend on the level of cash and retained earnings, the results of operations, the capital expenditure requirements, the expansion and/or investment plans and other factors that our Directors may deem appropriate. There is no assurance that dividends will be paid in the future. Neither will there be any assurance regarding the amount or timing of any dividends that will be paid in the future.

During the Track Record Period, in order to maintain an adequate level of working capital and net asset value for continuous business development, our Group did not declare any dividend. As a part of the continuing evaluation of our Group's dividend policy, management considered that for the purpose of business development, the undistributed earnings of Success Guarantee amounted to approximately RMB63.0 million as at 31 May 2013 will not be distributed in the foreseeable future.

DISCLOSURE REQUIRED UNDER [●]

Our Directors have confirmed that there are no circumstances which, had we been required to comply with [●], would have given rise to a disclosure requirement under [●].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 May 2013 and there is no material adverse event since 31 May 2013, including any shortfall of working capital or deteriorating cash position after the Track Record Period, which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

Our Directors confirm that there has been no material adverse change in the business and financial position of our Group during the period from 31 May 2013 up to the date of this document and there is (i) no material decrease in the valuation of the counter-guarantees and collaterals provided to our Group under the relevant counter-guarantee agreements; and (ii) no material increase in the amount of our Group's provision for trade receivables and financial guarantee losses or actual financial guarantee losses.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk mainly arises from credit risk, currency risk and interest rate risk.

Credit risk

Credit risk primarily arises from the possibility that a customer or counter-party in the transaction may default, leading to losses. Credit risk is primarily attributable to unexpired financial guarantees issued by our Group. Our Group has entered into financial guarantee contracts in which it has guaranteed the banks the repayment of loans entered into by customers of our Group. Our Group has the obligation to compensate banks for the losses they would suffer if customers fail to repay.

Our Group's risk management committee is tasked with organising and coordinating our Group's risk management and internal control. The committee is comprised of our Group's internal personnel, including the general manager of Success Guarantee, the senior vice general manager and the vice general manager of Success Guarantee, the risk control director of Success Guarantee and an administrative secretary. The committee is responsible for (i) designing and implementation of overall risk management internal control policies and procedures and establishing appropriate risk appetite; (ii) designing and execution of due diligence procedures; (iii) reviewing the creditworthiness of customers before providing guarantees to them.

Our Group has taken measures to identify credit risks arising from financial guarantees issued. Our Group manages credit risk at every stage along the financial guarantee approval process, including pre-transaction, in-transaction and post-transaction monitoring processes. Our Group conducts due diligence and evaluates customers by internal credit assessment system during the pre-approval process. Financial guarantees issuance is subject to approval of our Group's risk management committee.

The project managers assigned to each case monitor the post-transaction status of the customers. Each manager is responsible to look after a number of customers. They visit the customers regularly to understand their operation and financial status by checking their financial reports, sale contracts, sale invoices, value added tax filing documents, utility bills and bank statements and others relevant documents.

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of our Group's operating results to specific industries or geographical locations. As our Group mainly operates its businesses in Guangdong Province of the PRC, there exists a certain level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the local economic conditions.

Our Group has certain level of concentration of exposure to manufacturing and processing industry in respect of total maximum guarantee issued at 31 December 2010, 2011 and 2012 and 31 May 2013. The maximum exposure to credit risk in respect of total outstanding guarantees at 31 December 2010, 2011 and 2012 and 31 May 2013 amounted to approximately RMB1,066.5 million, RMB1,544.5 million, RMB1,483.5 million and RMB1,539.1 million respectively, but our Directors consider that the probable risk exposure for taking up such guarantee liabilities by our Group in full would be very remote.

Our Group makes provision on guarantees issued if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the guarantees or group of guarantees that can be reliably estimated.

Basis of provision against the outstanding guarantee value

Our Group assesses (either individually or collectively) the contingent liabilities arisen from its outstanding guarantee value in accordance with HKFRS 37 and HKFRS 39. If it is determined that our Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities) and if it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimated can be made, a "provision of guarantee losses" is recognised and the loss is recognised in the statement of profit or loss. The provisions are determined by using individual and collective assessments for the outstanding guarantees as at the end of the reporting period. Provisions are stated at the present value of the expenditure expected to settle the obligation.

For all non-financial guarantees (i.e. performance and litigation guarantees) and those financial guarantees which are considered individually significant, our Group performs individual credit evaluation on the customers to determine whether our Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities).

The historical default rate, loss rate and economy cycle are considered by our Group to be indicators of losses from its financial guarantee business. Default rate is the rate at which guarantee holders default on the guaranteed loans amount that they owe. Loss rate is the rate at which loss incurred by our Group for the defaulted amounts.

For those financial guarantees that are not considered individually significant and those financial guarantees that have been individually assessed, but for which there is no objective evidence of losses, our Group adopts a methodology to collectively assess whether there is objective evidence that losses on group of financial guarantees are already incurred. For the purposes of a collective evaluation of losses, financial guarantees are grouped on the basis of similar risk characteristics and use a methodology which utilised a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

If it is probable that an outflow of economic benefits will be required to settle the obligation arising from the individual and collective assessments, provisions will be recognised as liabilities in the consolidated balance sheet item "liabilities from guarantees" and the losses are included in "Impairment and provision (charged) / written back" in the consolidated statement of profit or loss.

Basis of provision of impairment for "Payment on behalf of customers"

When customers default on settling the loans advanced from banks, our Group is required to honor the guarantee contracts and required to settle the loans on behalf of customers. Accordingly, our Group records the "Payments on behalf of customer" as "Trade receivables".

Our Group performs individual credit assessments for those recorded trade receivables. If there is objective evidence of impairment of trade receivables, the loss is measured as the excess of its carrying amount over the present value of the estimated future cash inflows, discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows focuses on individual customer's financial status and information specific to the customers, including cash flows generated from operation or insurance claims, foreclosure less costs for obtaining and selling the collateral, and any customers' pledged cash deposit received.

For those trade receivables that have been individually assessed, but for which there is no objective evidence of losses, our Group groups these receivables on the basis of similar risk characteristics and collectively assessed for losses. The collective assessment utilizes a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

The losses arising from individual and collective assessments are deducted from the carrying value of the "Trade receivables" on the balance sheet and the losses are included in "Impairment and provision (charged) / written back" in the consolidated statement of profit or loss of our Group.

In conclusion, our Group adopts both individual and collective methods to assess impairment for trade and other receivables and losses aroused from guarantees issued. "Impairment provision for trade receivables" is to be made by individual assessment when possible default by customer(s) is anticipated on a case-by-case basis; while "Provision for guarantee losses" shall be made by collective assessment on the outstanding guarantees issued on a portfolio and yearly basis at each year-end date of a financial year during the Track Record Period. Our Group has frequently made individual assessment on the outstanding guarantees issued from time to time prior to any foreseeable customers' default, while collective assessment on the same on a yearly basis at the time of finalisation of the audited consolidated financial statements of our Group.

Our Group's other credit risk is attributable to other receivables, bank deposits and security deposits. Our Group's management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits and security deposits of our Group is mainly held with well-known financial institutions. Our Group's management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to our Group.

In respect of other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Currency risk

Individual company within our Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they related.

Our Group's businesses are principally conducted in RMB and most of our Group's monetary assets and liabilities are denominated in RMB. Accordingly, the Directors considered that our Group's exposure to foreign currency risk is not significant during the Track Record Period and in the foreseeable future.

On the other hand, RMB is not freely convertible currency and the PRC Government may at its discretion restrict to foreign currencies for current account transactions in the future. Changes in foreign exchange control system may prevent our Group form satisfying sufficient foreign currency demands and our Group may not be able to pay dividend in foreign currencies to our equity shareholders.

Interest rate risk

Our Group is principally engaged in the provision of financial and non-financial guarantees and financial consultancy services. Our Group's interest rate risk arises primarily from deposits with banks. Deposits with banks are mainly at floating rates stipulated by the People's Bank of China. Our Group's interest rate profile is monitored by management and our Directors consider that our Group's exposure to market risk for changes in interest rate is not significant during the Track Record Period. On such basis, no sensitivity analysis was prepared for pledged bank deposits and bank balances as the financial impact arising from the changes in interest rates was minimal for the Track Record Period.