Quanzhou Huixin Micro-credit Co., Ltd.*
泉州匯鑫小額貸款股份有限公司

(Established in the People's Republic of China with limited liability)

(Stock Code: 1577)

2016 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Quanzhou Huixin Micro-credit Co., Ltd.* (the "**Company**", "**We**" or "**Our**") is pleased to announce the audited annual results (the "**Annual Results**") of the Company for the year ended 31 December 2016 prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") promulgated by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Board and the audit committee of the Company (the "**Audit Committee**") have reviewed and confirmed the Annual Results.

ANNUAL RESULTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

	2016	2015
Interest income	**143,693,086**	135,881,740
Interest expense	**(6,002,870)**	(5,741,867)
Interest income, net	**137,690,216**	130,139,873
Net charge of impairment allowance on loans receivable	**(7,689,440)**	(9,431,327)
Operating and administrative expenses	**(26,543,017)**	(20,576,556)
Other income and gains, net	**10,823,346**	218,878
PROFIT BEFORE TAX	**114,281,105**	100,350,868
Income tax expense	**(28,762,145)**	(25,096,079)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**85,518,960**	75,254,789
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic	**0.16**	0.15
Diluted	**0.16**	0.15

STATEMENT OF FINANCIAL POSITION

As of 31 December 2016

(Amounts expressed in RMB unless otherwise stated)

	31 December 2016	31 December 2015
ASSETS		
Cash and cash equivalents	**114,409,337**	42,557,847
Financial assets at fair value through profit or loss	**26,000,000**	—
Loans receivable	**805,852,365**	692,140,416
Property and equipment	**744,456**	980,608
Intangible assets	**255,559**	704,178
Deferred tax assets	**1,459,976**	1,184,352
Other assets	**12,164,423**	10,112,031
TOTAL ASSETS	**960,886,116**	747,679,432
LIABILITIES		
Interest-bearing bank borrowings	**—**	100,000,000
Interest payable	**—**	138,542
Income tax payable	**17,096,122**	14,529,127
Other payables	**4,769,482**	3,894,183
TOTAL LIABILITIES	**21,865,604**	118,561,852
NET ASSETS	**939,020,512**	629,117,580
EQUITY		
Share capital	**680,000,000**	500,000,000
Reserves	**116,182,836**	36,764,058
Retained profits	**142,837,676**	92,353,522
TOTAL EQUITY	**939,020,512**	629,117,580

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

(Amounts expressed in RMB unless otherwise stated)

	Share capital	Reserves			Retained profits	Total
		Capital reserve	Surplus reserve	General reserve		
Balance as at 1 January 2015	500,000,000	—	18,300,279	10,938,300	54,624,212	583,862,791
Net profit and total comprehensive income for the year	—	—	—	—	75,254,789	75,254,789
Appropriation to surplus reserve	—	—	7,525,479	—	(7,525,479)	—
Distribution to shareholders	—	—	—	—	(30,000,000)	(30,000,000)
Balance as at 31 December 2015 and 1 January 2016	500,000,000	—	25,825,758	10,938,300	92,353,522	629,117,580
Net profit and total comprehensive income for the year	—	—	—	—	85,518,960	85,518,960
H shares issued	180,000,000	69,383,972	—	—	—	249,383,972
Appropriation to surplus reserve	—	—	8,551,896	—	(8,551,896)	—
Appropriation to general reserve	—	—	—	1,482,910	(1,482,910)	—
Distribution to shareholders	—	—	—	—	(25,000,000)	(25,000,000)
Balance as at 31 December 2016	680,000,000	69,383,972	34,377,654	12,421,210	142,837,676	939,020,512

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016
(Amounts expressed in RMB unless otherwise stated)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**114,281,105**	100,350,868
Adjustments for:		
Depreciation and amortisation	**945,800**	726,703
Impairment charged	**7,689,440**	9,431,327
Accreted interest on impaired loans	**(2,206,807)**	(2,859,281)
Foreign exchange gain, net	**(7,416,460)**	—
Gain on disposal of items of property and equipment	**(31,829)**	—
Interest expense	**6,002,870**	5,741,867
	119,264,119	113,391,484
Increase in financial assets at fair value through profit or loss	**(26,000,000)**	—
Increase in loans receivable	**(119,194,582)**	(13,287,589)
Increase in other assets	**(3,091,619)**	(1,497,086)
Increase in other payables	**875,299**	928,072
Net cash flows (used in)/from operating activities before tax	**(28,146,783)**	99,534,881
Income tax paid	**(26,470,774)**	(27,631,736)
Net cash flows (used in)/from operating activities	**(54,617,557)**	71,903,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property and equipment	**(274,217)**	(1,096,290)
Proceeds from disposal of property and equipment	**45,017**	—
Net cash flows used in investing activities	**(229,200)**	(1,096,290)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**260,366,400**	—
Transaction cost paid for issue of shares	**(9,943,201)**	—
Repayment of bank borrowings	**(100,000,000)**	(36,000,000)
Interest paid	**(6,141,412)**	(5,790,925)
Dividends paid	**(25,000,000)**	(30,000,000)
Net cash flows from/(used in) financing activities	**119,281,787**	(71,790,925)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**64,435,030**	(984,070)
Cash and cash equivalents at beginning of the year	**42,557,847**	43,541,917
Effect of foreign exchange rate changes, net	**7,416,460**	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**114,409,337**	42,557,847

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE INFORMATION

Quanzhou Huixin Micro-credit Co., Ltd.* was established as a limited liability company in the People's Republic of China (the "**PRC**") and its registered office is located at 12th Floor, Former Finance Building, No. 361, Feng Ze Street, Quanzhou city, Fujian province, the PRC.

During the year, the principal activity of the Company was to offer loans to small and medium enterprises ("**SMEs**"), microenterprises and entrepreneurial individuals.

The Company was established with initial registered capital of RMB300 million. Based on the resolution of its shareholders' meeting passed in December 2013, the registered capital was increased to RMB500 million. The increased capital of RMB200 million comprised RMB48 million transferred from retained profits and cash injection of RMB152 million from the shareholders.

At the shareholders' meeting on 10 July 2014, a resolution was passed to convert the Company into a joint stock company. Based on the resolution of its shareholders' meeting passed on the same day, the Company completed the conversion. On 18 August 2014, the Company officially registered with the relevant company registry authorities in the PRC as a joint stock company with limited liability. Upon its conversion, the Company issued 500 million shares with a par value of RMB1 each to its shareholders.

In September 2016, the Company conducted a global offering of overseas listed foreign shares ("**H Shares**"). Upon the completion of the H Share offering, the issued capital was increased to RMB680 million. The Company's H Shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") and trading of its H Shares commenced on 30 September 2016 (the "**Listing Date**").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations) issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for financial instruments which have been measured at fair value. These financial statements are presented in Renminbi Yuan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Issued but not yet Effective Hong Kong Financial Reporting Standards

All HKFRSs that remain in effect which are relevant to the Company have been applied. The Company has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017

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

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but available for adoption

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments are not expected to have any significant impact on the Company's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9 bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Company expects to adopt HKFRS 9 from 1 January 2018. Key requirements of HKFRS 9 as compared with HKAS 39 are summarised as follows:

- All recognised financial assets that are within the scope of HKAS 39 are subsequently measured at amortised cost or fair value under HKFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognised in profit or loss. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. Based on the nature and classification of financial assets of the Company recorded on the statement of financial position as at 31 December 2016, it is expected that the above new requirements for classification and measurement for financial assets under HKFRS 9 will not have any significant impact on the Company's financial position or performance.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss. Based on the nature and classification of financial liabilities of the Company recorded on the statement of financial position as at 31 December 2016, it is expected that this new requirement under HKFRS 9 will not have any significant impact on the Company's financial position or performance.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets under the expected credit loss model will require a loss allowance equals to twelve-month expected credit losses at initial recognition and lifetime expected credit losses when there is a significant increase in credit risk subsequent to initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Lifetime expected credit losses represent all credit losses over the remaining life of a financial asset on a probability-weighted basis and twelve-month expected credit losses represent the losses expected to arise from default events within the next twelve months after the reporting date. In principle, the adoption of expected credit loss model may accelerate the recognition of the loss allowance as it requires a loss allowance equals to twelve-month expected credit losses at initial recognition of financial assets as compared with loss allowance recognised only when there exists observable evidence of impairment under the current standard. The Company is still assessing the full impact of adopting the expected credit loss model.

The adoption of this requirement is also expected to have impacts on the Company's systems and processes of collecting and analysing data, as it changes the timing of assessment of the potential credit loss for recognition of impairment and the ultimate amount of impairment recognised on financial assets. The Company is in the process of upgrading its systems, building up models as well as engaging in data governance related work. These will provide a base for future adoption of the expected credit loss model.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. Based on the current situation, i.e. the Company currently does not enter into any hedging activities, it is expected that this new requirement will not have any significant impact on the Company's financial position or performance.

Amendments to HKFRS 4 address concerns arising from implementing the new financial instruments Standard, HKFRS 9, before implementing the new insurance contracts standard that will replace HKFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying HKFRS 9 and an overlay approach. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now. The amendments are not expected to have any significant impact on the Company's financial statements.

HKFRS 15 will supersede all current revenue recognition requirements under HKFRSs and establish a new five-step model to account for revenue arising from contracts with customers (except, among others, financial instruments and other contractual rights or obligations within the scope of HKFRS 9). Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. Based on the current situation, this new requirement is not expected to have any significant impact on the Company's financial position or performance.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

As set out in note 23, total operating lease commitments of the Company in respect of leased premises as at 31 December 2016 amounted to RMB1.5 million. The Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in any significant impact on the Company's results but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Company expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are not expected to have any significant impact on the Company's financial statements.

3.2 Summary of Significant Accounting Policies

Fair value measurement

The Company measures its financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

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

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Company; or

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

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

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

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

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

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

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

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives, residual rates and annual depreciation rates used for this purpose are as follows:

Categories	Estimated useful life	Estimated residual rate	Annual depreciation rate
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets	0%	Over the shorter period of the lease terms and the useful life of the assets
Fixtures and furniture	3 to 10 years	5%	10% to 32%
Motor vehicles	4 years	5%	24%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The estimated useful lives of intangible assets are as follows:

Categories	Estimated useful life
Software	1 to 3 years

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Company, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessor, assets leased by the Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

The Company's financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in profit or loss in net charge of impairment allowance on loans receivable.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income and gains in profit or loss.

Financial liabilities

Initial recognition and measurement

The Company's financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include other payables and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expense in profit or loss.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

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

Interest income on loans is measured on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e., the original effective interest rate.

Employee benefits

Employee retirement scheme

The employees of the Company which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The provision and contributions have been included in profit or loss upon incurrence. The Company has no obligation for the payment of pension benefits beyond the contributions described above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in Renminbi Yuan, which is the Company's functional currency. Foreign currency transactions recorded by the Company are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Repossessed assets

Repossessed assets are initially recognised at the lower of the fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans receivable together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are presented as other assets.

3.3 Significant Accounting Judgements and Estimates

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

Impairment losses of financial assets

The Company determines periodically whether there is any objective evidence that impairment losses have occurred on loans and other receivables. If any such evidence exists, the Company assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Company makes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in the respective entity's domicile.

4. SEGMENT REPORTING

During the year, almost all of the Company's revenue was generated from the provision of credit facilities to SMEs, microenterprises and entrepreneurial individuals in Quanzhou, Fujian province in Mainland China. The Company's chief operating decision makers focus on the operating results of the Company as a whole. Accordingly, no segment analysis or information about the Company's products and services is presented.

Geographical information

Almost all of the Company's revenue generated from external customers and assets were located at Quanzhou, Fujian province in Mainland China during the year.

5. INTEREST INCOME

	2016	2015
Interest income on:		
Loans receivable	**143,693,086**	135,881,740
Interest expense on:		
Bank loans		
Wholly repayable within five years	**(6,002,870)**	(5,741,867)
Interest income, net	**137,690,216**	130,139,873
Included: interest income on impaired loans	**3,111,449**	4,358,004

6 OTHER INCOME AND GAINS, NET

	2016	2015
Foreign exchange gain, net	**7,416,460**	—
Government grants	**2,691,800**	500,000
Interest from bank deposits	**390,493**	420,878
Gains from financial assets at fair value through profit or loss	**292,764**	—
Loss from disposal of loans	**—**	(702,000)
Gain on disposal of items of property and equipment	**31,829**	—
Total	**10,823,346**	218,878

7. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging:

	2016	2015
Depreciation and amortisation	**945,800**	726,703
Staff costs:		
Salaries, bonuses and allowances	**5,743,697**	4,512,625
Other social welfare	**1,252,261**	761,329
Net charge of impairment allowance on loans receivable	**7,689,440**	9,431,327
Leasing expense	**598,265**	597,022
Service fee in connection with Listing	**9,999,477**	3,117,681
Auditor's remuneration	**825,472**	500,000

8. INCOME TAX EXPENSE

	2016	2015
Current income tax	**29,037,769**	24,355,131
Deferred income tax	**(275,624)**	740,948
Total	**28,762,145**	25,096,079

The Company conducts all of its businesses in Mainland China and the applicable income tax rate is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Company is domiciled to the tax expense at the effective tax rate is as follows:

	2016	2015
Profit before tax	**114,281,105**	100,350,868
Tax at the applicable tax rate of 25%	**28,570,275**	25,087,717
Tax effect of expenses not deductible for tax purposes	**91,380**	8,362
Adjustment for prior year tax expense	**100,490**	—
Total tax expense for the year at the Company's effective tax rate	**28,762,145**	25,096,079

9. DIVIDENDS

	2016	2015
Proposed and paid dividend	**25,000,000**	30,000,000

Pursuant to the resolution of its shareholders' meeting on 25 January 2016, the Company distributed cash dividends of RMB25 million to the shareholders.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the year.

	2016	2015
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**85,518,960**	75,254,789
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**545,000,000**	500,000,000
Basic and diluted earnings per share	**0.16**	0.15

11. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash on hand	**1,764**	2,819
Cash at banks	**114,407,573**	42,555,028
	114,409,337	42,557,847

At the end of the reporting period, the cash and bank balances of the Company denominated in Hong Kong dollars ("**HKD**") amounted to RMB85,499,511 (2015: Nil). Cash at banks earns interest at floating rates based on daily bank deposit rates.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2016	31 December 2015
Wealth management products	**26,000,000**	—

In 2016, in order to better flexibly utilise the surplus cash in hand, the Company purchased from time to time wealth management products, which are held for a relatively short period of time, offered by licensed commercial banks in the PRC.

13. LOANS RECEIVABLE

	31 December 2016	31 December 2015
Loans receivable	**828,080,644**	708,886,062
Less: Allowance for impairment		
— Individually assessed	**(7,145,684)**	(3,104,008)
— Collectively assessed	**(15,082,595)**	(13,641,638)
	805,852,365	692,140,416

The Company seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

The credit quality analysis of the loans receivable is as follows:

	31 December 2016	31 December 2015
Performing loans receivable (i)	**801,263,056**	692,496,549
Impaired loans receivable (ii)	**26,817,588**	16,389,513
	828,080,644	708,886,062

(i) Performing loans are collectively assessed for impairment.

(ii) Impaired loans to customers include those with objective evidence of impairment.

The Company's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 31 December 2016, 57.7% (as at 31 December 2015: 67.4%) of loans receivable were guaranteed loans, and 36.1% (as at 31 December 2015: 28.4%) of loans receivable were collateral-backed loans.

Movements of allowance for impairment losses during the year are as follows:

	Individually assessed	Collectively assessed	Total
As at 1 January 2015	15,748,729	18,502,871	34,251,600
Charges/(reversal) for the year	14,292,560	(4,861,233)	9,431,327
Disposal	(24,078,000)	—	(24,078,000)
Accreted interest on impaired loans	(2,859,281)	—	(2,859,281)
As at 31 December 2015	3,104,008	13,641,638	16,745,646
Charges for the year	6,248,483	1,440,957	7,689,440
Accreted interest on impaired loans	(2,206,807)	—	(2,206,807)
As at 31 December 2016	7,145,684	15,082,595	22,228,279

14. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:				
At 1 January 2015	848,511	415,936	1,729,341	2,993,788
Additions	162,712	43,578	—	206,290
At 31 December 2015	1,011,223	459,514	1,729,341	3,200,078
Additions	245,837	—	28,380	274,217
Disposals	(263,769)	—	—	(263,769)
At 31 December 2016	993,291	459,514	1,757,721	3,210,526
Accumulated depreciation:				
At 1 January 2015	656,219	245,615	776,755	1,678,589
Depreciation charge for the year	140,286	64,391	336,204	540,881
At 31 December 2015	796,505	310,006	1,112,959	2,219,470
Depreciation charge for the year	91,805	54,306	351,070	497,181
Disposals	(250,581)	—	—	(250,581)
At 31 December 2016	637,729	364,312	1,464,029	2,466,070
Net carrying amount:				
At 31 December 2016	355,562	95,202	293,692	744,456
At 31 December 2015	214,718	149,508	616,382	980,608

15. INTANGIBLE ASSETS

	Software
Cost:	
At 1 January 2015	—
Additions	890,000
At 31 December 2015 and at 31 December 2016	890,000
Accumulated amortisation:	
At 1 January 2015	—
Charge for the year	185,822
At 31 December 2015	185,822
Charge for the year	448,619
At 31 December 2016	634,441
Net carrying amount:	
At 31 December 2016	255,559
At 31 December 2015	704,178

16. DEFERRED TAX ASSETS

The movements in the deferred tax assets are as follows:

	Impairment allowance on loans
At 1 January 2015	1,925,300
Recognised in profit or loss	(740,948)
At 31 December 2015	1,184,352
Recognised in profit or loss	275,624
At 31 December 2016	1,459,976

17. OTHER ASSETS

	31 December 2016	31 December 2015
Repossessed assets (a)	**8,060,000**	8,060,000
Deferred and prepaid expenses	**2,366,095**	64,436
Deferred service fee in connection with initial public offering	**—**	1,039,227
Other receivables	**1,738,328**	948,368
	12,164,423	10,112,031

(a) The repossessed assets are properties located at Quanzhou, Fujian province in China. The contracts to effect the repossession of the properties have been signed and registered with the local authority. The certificates of the properties have not been obtained because the properties are still under development.

18. OTHER PAYABLES

	31 December 2016	31 December 2015
Payrolls payable	**1,869,573**	840,212
Value-added tax, business tax and surcharges payable	**1,327,054**	1,374,359
Audit fee	**875,000**	1,000,000
Guarantee fee	**593,725**	—
Service fee in connection with Listing	**—**	584,950
Others	**104,130**	94,662
	4,769,482	3,894,183

19. SHARE CAPITAL

	31 December 2016	31 December 2015
Issued and fully paid ordinary shares of RMB1 each	**680,000,000**	500,000,000

Movements in the Company's share capital are as follows:

	Number of shares in issue	**Share capital**
At 1 January 2015, 31 December 2015 and 1 January 2016	500,000,000	500,000,000
H Shares issued	180,000,000	180,000,000
At 31 December 2016	680,000,000	680,000,000

As described in note 1, on 30 September 2016, 180,000,000 ordinary shares of the Company were issued and listed on the Main Board of the Stock Exchange. As at 31 December 2016, the share capital represented 680,000,000 ordinary shares of the Company of RMB1 each.

20. RESERVES

The amounts of the Company's reserves and the movements therein for the year are presented in the statement of changes in equity.

Capital reserve

Capital reserve comprises share premium, which represents the difference between the par value of the shares of the Company and the proceeds received from the issuance of the shares of the Company.

Surplus reserve

Surplus reserve comprises the statutory surplus reserve and the discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of their net profit, as determined under China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC (the "**MOF**"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, the statutory surplus reserve may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

General reserve

In accordance with the relevant regulations, the Company is required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets before 30 June 2017. Such reserve is not available for profit distribution or transfer to capital. As at 31 December 2016, the balance of the general reserve of the Company was RMB12.42 million, no lower than 1.5% of its risk assets.

Distributable profit

Pursuant to the resolution of the Company's Board meeting held on 24 March 2017, a final dividend of approximately RMB34 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of statutory surplus reserve and general reserve and is subject to the approval of the forthcoming annual general meeting.

21. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Company

	2016	2015
Salaries and other short-term employee benefits	**2,093,802**	2,014,877

(b) Loan guarantee

The interest-bearing bank borrowings of RMB100 million as at 31 December 2015 were guaranteed by Mr. Zhou Yongwei, the Chairman of the Company, his spouse and one of the shareholders, Fujian Septwolves Group Co., Ltd. Such guarantee was released on 19 February 2016.

22. CONTINGENT LIABILITIES

As at 31 December 2016, there were no significant contingent liabilities.

23. OPERATING LEASES

The Company leases office premises under various operating lease agreements as the lessee. Future minimum lease payments (inclusive of value-added tax) under non-cancellable operating leases falling due are as follows:

	31 December 2016	31 December 2015
Within 1 year (including 1 year)	**649,074**	618,166
1 to 2 years (including 2 years)	**681,528**	649,074
2 to 3 years (including 3 years)	**201,579**	681,528
3 to 4 years (including 4 years)	**—**	201,579
	1,532,181	2,150,347

24. COMMITMENTS

At the end of the reporting period, other than the operating lease commitments detailed in note 23 above, the Company did not have any significant commitments.

25. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December 2016	31 December 2015
Financial assets		
Cash and cash equivalents	**114,409,337**	42,557,847
Financial assets at fair value through profit or loss	**26,000,000**	—
Loans receivable	**805,852,365**	692,140,416
Other receivables	**1,738,328**	948,368
	948,000,030	735,646,631

	31 December 2016	31 December 2015
Financial liabilities		
Interest-bearing bank borrowings	**—**	100,000,000
Interest payable	**—**	138,542
Other payables	**1,572,855**	1,679,612
	1,572,855	101,818,154

26. FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments include credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk. The Company has no significant exposures to other financial risks except as disclosed below. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Company manages the loans granted to SMEs, microenterprises and entrepreneurial individuals with the same rules and procedures.

The principal features of the Company's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit assessment, granting of credit limits, loan evaluation, loan review and approval, granting of loans and post-disbursement loan monitoring;

In the lending business, the Company adopts a loan classification approach to manage its loan portfolio risk. The Company's loans are categorised as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The core definitions of the five categories of loans receivable are set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay the principal and interest in full on a timely basis.

- Special-mention: borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.

- Substandard: borrower's ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay the principal and interest. Losses may ensue even when collateral or guarantees are invoked.

- Doubtful: borrowers cannot repay the principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.

- Loss: principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

To enhance the credit risk management practices, the Company also launches training programs periodically for credit officers at different levels.

The Company is exposed to credit risk primarily associated with cash at banks, loans receivable and other receivables. The credit risk of these assets mainly arises from the counterparties' failure to discharge their contractual obligations and major exposure equals the carrying amount.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed allowances

All loans receivable are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Loans that are classified as substandard, doubtful or loss are assessed individually for impairment.

If there is objective evidence that an impairment loss on a loan or advance has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;

- The borrower's ability to improve performance once a financial difficulty has arisen;

- Projected receipts and the expected payout should bankruptcy ensue;

- The availability of other financial support and the realisable value of collateral; and

- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of the reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- The adverse changes in arrears of the borrowers; and

- Areas or local economic conditions that correlate with defaults.

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The collateral obtained by the Company mainly consists of mortgages on land use rights, building ownership rights or equipment and pledge on shares. All collateral is registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of the collateral regularly.

Although collateral can mitigate credit risk to a certain extent, the Company mostly grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flows, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, the Company might sell the collateral for repayment. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

It is the Company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Company does not occupy repossessed properties for business use.

The tables below summarise the impaired loans by type of collateral, guarantee and overdue period.

	31 December 2016				
	Not overdue	**Overdue within 3 months**	**Overdue more than 3 to 12 months**	**Overdue more than 1 year**	**Total**
Guaranteed loans	**1,698,075**	**—**	**13,880,000**	**7,239,513**	**22,817,588**
Collateral-backed loans with guarantees	**—**	**—**	**—**	**4,000,000**	**4,000,000**
Total	**1,698,075**	**—**	**13,880,000**	**11,239,513**	**26,817,588**

	31 December 2015				
	Not overdue	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
Guaranteed loans	—	—	5,000,000	1,980,000	6,980,000
Collateral-backed loans with guarantees	—	—	8,000,000	1,409,513	9,409,513
Total	—	—	13,000,000	3,389,513	16,389,513

Credit quality of loans receivable

A loan or advance is identified as an impaired loan if there is objective evidence indicating that the loan's estimated future cash flows are influenced by one or several factors and the impact can be estimated reliably. The Company closely monitors the credit quality of the loans, and uses measures such as disposal of impaired loans to mitigate overall credit risk exposure.

The Company manages the credit quality of financial assets using credit ratings. The table below shows the credit quality of loans receivable exposed to credit risk, based on the Company's credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired	**Past due but not impaired**	**Individually impaired**	**Total**
31 December 2016	801,263,056	—	26,817,588	828,080,644
31 December 2015	692,496,549	—	16,389,513	708,886,062

As at 31 December 2016, loans neither past due nor impaired were related to various diversified customers with no recent default history.

Analysis of risk concentration

Since the loans are granted to third parties whose creditworthiness has been assessed by the Company, no collateral is required in most cases. The Company manages its exposure to the concentration of credit risk by diversifying its portfolio in terms of customer type and industry. Because its business operations are subject to the geographic restrictions of its operating licence, the Company is exposed to the credit risk of geographic concentration. However, although its customers are concentrated in Quanzhou city, the Company provides loans to a wide variety of customers that operate in different industries in order to mitigate its exposure to such risk.

(b) Foreign currency risk

The Company operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in HKD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets) and the Company's equity.

Changes in exchange rate	Impact on profit before tax	Impact on equity
+5%	4,274,976	4,274,976
–5%	(4,274,976)	(4,274,976)

The above impact on equity represents adjustments to profit before tax.

(c) Interest rate risk

The Company's exposure to the risk of changes in interest rates relates primarily to its cash at banks, loans receivable and interest-bearing bank borrowings. The majority of the Company's loans receivable bear fixed rates. They are mostly influenced by the mismatch of repricing day of interest-generating assets and interest-bearing liabilities. The Company does not use derivative financial instruments to manage its interest rate risk.

The table below analyses the Company's interest rate risk exposure on financial assets and liabilities.

The assets and liabilities are included at carrying amount and categorised by the earlier of the contractual re-pricing and maturity dates.

	31 December 2016					
	Overdue	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Floating rate**	**Total**
Financial assets:						
Cash at banks	**—**	**—**	**—**	**—**	**114,407,573**	**114,407,573**
Loans receivable	**18,383,860**	**187,720,610**	**596,998,095**	**2,749,800**	**—**	**805,852,365**
Exposure to interest sensitivity	**18,383,860**	**187,720,610**	**596,998,095**	**2,749,800**	**114,407,573**	**920,259,938**

	31 December 2015					
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets:						
Cash at banks	—	—	—	—	42,555,028	42,555,028
Loans receivable	13,285,505	392,602,960	167,469,559	118,782,392	—	692,140,416
Total	13,285,505	392,602,960	167,469,559	118,782,392	42,555,028	734,695,444
Financial liabilities:						
Interest-bearing bank borrowings	—	—	—	—	100,000,000	100,000,000
Total	—	—	—	—	100,000,000	100,000,000
Exposure to interest sensitivity	13,285,505	392,602,960	167,469,559	118,782,392	(57,444,972)	634,695,444

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate instruments). The Company's equity is not affected, other than the consequential effect on retained profits (a component of the Company's equity) by the changes in profit before tax.

Changes in variables	**2016 Impact on profit before tax**	2015 Impact on profit before tax
+50 basis points	**572,038**	(287,225)
–50 basis points	**(572,038)**	287,225

(d) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to equity price risk arising from financial assets at fair value through profit or loss. As at 31 December 2016, a 10% increase in the fair value of the financial assets, with all other variables held constant, would increase financial assets at fair value through profit or loss by RMB2.6 million (31 December 2015: Nil).

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company seeks to manage its liquidity risk by circulating liquidity facilities. The facilities consider the maturity dates of financial instruments and estimated cash flows from operation.

The tables below summarise the maturity profiles of the financial assets and financial liabilities of the Company based on undiscounted cash flows:

	31 December 2016					
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
Financial assets:						
Cash and cash equivalents	114,409,337	—	—	—	—	114,409,337
Financial assets at fair value through profit or loss	26,000,000	—	—	—	—	26,000,000
Loans receivable	—	25,119,513	230,403,067	636,308,501	3,295,200	895,126,281
Other assets	—	—	1,589,073	—	149,255	1,738,328
Subtotal	140,409,337	25,119,513	231,992,140	636,308,501	3,444,455	1,037,273,946
Financial liabilities:						
Other payables	—	—	1,572,855	—	—	1,572,855
Subtotal	—	—	1,572,855	—	—	1,572,855
Net	140,409,337	25,119,513	230,419,285	636,308,501	3,444,455	1,035,701,091

	31 December 2015					
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
Financial assets:						
Cash and cash equivalents	42,557,847	—	—	—	—	42,557,847
Loans receivable	—	16,389,513	427,349,576	198,853,960	140,133,319	782,726,368
Other assets	—	—	799,113	—	149,255	948,368
Subtotal	42,557,847	16,389,513	428,148,689	198,853,960	140,282,574	826,232,583
Financial liabilities:						
Interest-bearing bank borrowings	—	—	1,575,000	101,575,000	—	103,150,000
Other payables	—	—	1,679,612	—	—	1,679,612
Subtotal	—	—	3,254,612	101,575,000	—	104,829,612
Net	42,557,847	16,389,513	424,894,077	97,278,960	140,282,574	721,402,971

(f) Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2016.

The Company monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, less cash and cash equivalents. Management regards total equity which includes share capital, reserves and retained profits as capital. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2016	31 December 2015
Interest-bearing bank borrowings	**—**	100,000,000
Less: cash and cash equivalents	**114,409,337**	42,557,847
Net debt	**(114,409,337)**	57,442,153
Share capital	**680,000,000**	500,000,000
Reserves	**116,182,836**	36,764,058
Retained profits	**142,837,676**	92,353,522
Capital	**939,020,512**	629,117,580
Capital and net debt	**824,611,175**	686,559,733
Gearing ratio	**–13.9%**	8.4%

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	31 December 2016					
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	114,409,337	—	—	—	—	114,409,337
Financial assets at fair value through profit or loss	26,000,000	—	—	—	—	26,000,000
Loans receivable	—	18,383,860	187,720,610	596,998,095	2,749,800	805,852,365
Property and equipment	—	—	—	—	744,456	744,456
Intangible assets	—	—	—	—	255,559	255,559
Deferred tax assets	—	—	—	—	1,459,976	1,459,976
Other assets	—	—	2,251,692	760,079	9,152,652	12,164,423
Subtotal	140,409,337	18,383,860	189,972,302	597,758,174	14,362,443	960,886,116
Liabilities:						
Income tax payable	—	—	17,096,122	—	—	17,096,122
Other payables	—	—	4,769,482	—	—	4,769,482
Subtotal	—	—	21,865,604	—	—	21,865,604
Net	140,409,337	18,383,860	168,106,698	597,758,174	14,362,443	939,020,512

	31 December 2015					
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	42,557,847	—	—	—	—	42,557,847
Loans receivable	—	13,285,505	392,602,960	167,469,559	118,782,392	692,140,416
Property and equipment	—	—	—	—	980,608	980,608
Intangible assets	—	—	—	—	704,178	704,178
Deferred tax assets	—	—	—	—	1,184,352	1,184,352
Other assets	—	—	863,549	1,039,227	8,209,255	10,112,031
Subtotal	42,557,847	13,285,505	393,466,509	168,508,786	129,860,785	747,679,432
Liabilities:						
Interest-bearing bank borrowings	—	—	—	100,000,000	—	100,000,000
Interest payable	—	—	138,542	—	—	138,542
Income tax payable	—	—	14,529,127	—	—	14,529,127
Other payables	—	—	3,894,183	—	—	3,894,183
Subtotal	—	—	18,561,852	100,000,000	—	118,561,852
Net	42,557,847	13,285,505	374,904,657	68,508,786	129,860,785	629,117,580

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial assets mainly include cash at banks, financial assets at fair value through profit or loss and loans receivable.

Due to the short remaining period or periodical repricing to reflect market price, the carrying amounts of these financial assets approximate to their fair values.

The Company's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurements of financial instruments. The financial manager reports directly to the general manager and the Audit Committee. At each reporting date, the Company analyses the movements in the values of financial instruments. The valuation is reviewed and approved by the general manager.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Company's financial instruments:

Assets measured at fair value:

As at 31 December 2016		**Fair value measurement using**		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss	26,000,000	—	—	26,000,000

In 2016, the Company had no transfer of financial assets measured at fair value between level 1 and level 2.

29. EVENTS AFTER THE REPORTING PERIOD

Other than as mentioned in other notes, the Company had no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Since the China Banking Regulatory Commission (中國銀行業監督管理委員會) (the "**CBRC**") and the People's Bank of China (中國人民銀行) promulgated the Guiding Opinions on the *Pilot Operation of Microfinance Companies* (關於小額貸款公司試點的指導意見) in 2008, which first formalized the registration procedures for microfinance companies at the national level, China's microfinance industry has seen rapid expansion. In 2012, the State Council of the PRC (中華人民共和國國務院) approved the establishment of a pilot financial reform zone in Quanzhou city, making Quanzhou city the third pilot financial reform zone in China. Fujian provincial government subsequently implemented a series of financial reform policies and measures aimed at developing and cultivating the local financial services sector and channeling private capital to small and medium-sized enterprise(s) (the "**SMEs**") and local microenterprises. Moreover, in 2014, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) designated Quanzhou city as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises.

Competition within the microfinance industry in Fujian province and Quanzhou city is increasingly intense. According to the Fujian Economic and Information Technology Commission (福建省經濟和信息化委員會) (the "**Commission**"), there were 119 registered microfinance companies in Fujian province as of 31 December 2016, of which 32 were in Quanzhou city. The total registered capital of microfinance companies in Fujian province amounted to RMB27.1 billion as of 31 December 2016, of which RMB8.5 billion was the total registered capital of microfinance companies in Quanzhou city, according to the Commission. As of 31 December 2016, the average principal amount of outstanding loans per microfinance company amounted to RMB237.0 million in Fujian province and RMB271.0 million in Quanzhou city.

Business Overview

Our loan business

Based in Quanzhou city, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2016, according to the Commission. We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs. We generate substantially all of our income by charging interest on the loans extended to our customers. We provide two types of loans, namely, revolving loans and term loans to our customers. For the years ended 31 December 2015 and 2016, we served 384 and 341 customers, respectively.

We financed our operations primarily through a combination of share capital of our shareholders and bank borrowings. The following table sets forth our share capital, net capital, principal amount of outstanding loans and loan/net capital ratio as of the dates indicated:

	As of 31 December	
	2016	2015
Share capital *(RMB in millions)*	**680.0**	500.0
Net capital *(RMB in millions)*[1]	**939.0**	629.1
Principal amount of outstanding loans *(RMB in millions)*	**817.6**	705.0
Loan/Net capital ratio[2]	**0.87 Times**	1.12 Times

Notes:

(1) Represents the aggregate of our share capital, reserves and retained profits.

(2) Represents the balance of the principal amount of our outstanding loans divided by our net capital.

We consider a number of factors in determining the interest rates that we charge on a loan, including the customer's background and credit history, whether the loan is secured or unsecured, the value of collateral, if any, the quality of the guarantee, and the use and term of the loan. The table below sets forth the average balance of our outstanding performing loans and corresponding average effective interest rate per annum for the years indicated:

	Year ended 31 December	
	2016	2015
Average balance of outstanding performing loans[1] *(RMB'000)*	**727,371**	692,311
Average effective interest rate per annum[2]	**19.33%**	19.00%

Notes:

(1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the year.

(2) Calculated by dividing the interest income derived from our performing loans for the year by the average balance of outstanding performing loans for the year.

The interest rates we charge on our loans vary depending on the tenure of each loan or drawdown, the credit profile of the customer, and the prevailing conditions of the lending market.

Loan portfolio

The principal amount of our outstanding loans increased steadily from RMB705.0 million as of 31 December 2015 to RMB817.6 million as of 31 December 2016, primarily due to our enlarged share capital as a result of the Listing.

Revolving loans and term loans

We offer two types of loans, namely, revolving loans and term loans, as part of our flexible financing solutions, depending on a customer's repayment and re-borrowing needs. The following table sets forth the principal amount of our revolving loans and term loans as of the dates indicated:

	As of 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Revolving loans	**387,588**	**47.4**	424,178	60.2
Term loans	**429,989**	**52.6**	280,840	39.8
Total	**817,577**	**100.0**	705,018	100.0

Loan portfolio by security

We focused on providing credit-based financing solutions and, as a result, a substantial majority of our loans were not secured by collateral. However, a substantial portion of our outstanding loans was backed by guarantees as a form of security. The following table sets forth our loan portfolio by security as of the dates indicated:

	As of 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Credit loans	**50,000**	**6.1**	30,000	4.3
Guaranteed loans	**471,277**	**57.6**	474,708	67.3
Collateral-backed loans				
— with guarantee	**266,400**	**32.6**	185,310	26.3
— without guarantee	**29,900**	**3.7**	15,000	2.1
Total	**817,577**	**100.0**	705,018	100.0

Maturity profile of loan portfolio

To minimize our risk exposure, we mainly provide short-term loans to customers. The following table sets forth the maturity profile of our loans as of the dates indicated:

	As of 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Past due	**25,119**	**3.1**[(1)]	16,390	2.3[(1)]
Due within three months	**185,000**	**22.6**	395,480	56.1
Due between three months and six months	**464,288**	**56.8**	111,990	15.9
Due between six months and one year	**140,170**	**17.1**	59,140	8.4
Due over one year	**3,000**	**0.4**	121,718	17.3
Total	**817,577**	**100.0**	705,018	100.0

Note:

(1) The percentage equals to the default ratio as of the respective dates during the reporting period, representing the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans.

Past due loans

The principal amount of our past due loans was RMB16.4 million and RMB25.1 million as of 31 December 2015 and 2016, respectively, accounting for 2.3% and 3.1% of the total principal amount of our outstanding loans as of the same dates.

We had eight past due loans with an aggregate amount of RMB16.4 million as of 31 December 2015. We disposed of impaired loans with an aggregate principal amount of RMB63.8 million to an independent licensed trust company through Haixia Equity Exchange at the price of RMB39.0 million in 2015. As of 31 December 2016, RMB5.2 million of the principal amount of these past due loans as of 31 December 2015 had been settled. As of 31 December 2016, the remaining portion of principal amount of past due loans as of 31 December 2015 was RMB11.2 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2015 was RMB3.3 million.

As of 31 December 2016, we had 18 past due loans with an aggregate amount of RMB25.1 million, and our allowance for impairment losses for these past due loans as of the same date was RMB6.8 million.

The principal amount of our past due loans increased from RMB16.4 million as of 31 December 2015 to RMB25.1 million as of 31 December 2016, mainly because of the overall economic downturn in 2016.

Loan portfolio by exposure size

The following table sets forth the distribution of the principal amount of our outstanding loans and number of borrowers by exposure size as of the dates indicated:

	As of 31 December					
	2016			2015		
	***Number of borrower*[1]**	***RMB'000***	***%*[2]**	*Number of borrower*[1]	*RMB'000*	*%*[2]
Principal amount of outstanding loans:						
Up to RMB1.0 million	**33**	**19,870**	**2.4**	24	16,940	2.4
Over RMB1.0 million to RMB3.0 million (inclusive)	**38**	**78,187**	**9.6**	32	68,898	9.8
Over RMB3.0 million to RMB5.0 million (inclusive)	**118**	**537,200**	**65.7**	112	502,280	71.2
Over RMB5.0 million to RMB10.0 million (inclusive)	**5**	**37,370**	**4.6**	10	86,900	12.3
Over RMB10.0 million	**8**	**144,950**	**17.7**	2	30,000	4.3
Total	**202**	**817,577**	**100.0**	180	705,018	100.0

Notes:

(1) Loans granted to a single borrower under multiple loan agreements are aggregated for the purpose of the calculation of loan exposure size to such customer.

(2) Represents the principal amount of outstanding loans of each category divided by the total principal amount of our outstanding loans.

We adopted a loan classification approach to manage our loan portfolio risk. We categorize our loans by reference to the "Five-Tier Principle" set forth in the *Guideline for Loan Credit Risk Classification* (貸款風險分類指引) issued by the CBRC. We make provisions for the anticipated level for loan loss after categorizing the loan according to the "Five-Tier Principle." According to the "Five-Tier Principle", our loans are categorized as "normal," "special-mention," "substandard," "doubtful" or "loss" according to their levels of risk. We consider our "substandard," "doubtful" and "loss" loans as impaired loans. The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Normal	**694,110**	**84.9**	598,670	84.9
Special-mention	**96,650**	**11.8**	89,958	12.8
Substandard	**24,578**	**3.0**	15,890	2.2
Doubtful	**1,739**	**0.2**	500	0.1
Loss	**500**	**0.1**	—	—
Total	**817,577**	**100.0**	705,018	100.0

We assess impairment either collectively or individually as appropriate. We assess our loans for impairment at the end of each relevant period, determine a level of allowance, and recognize any related provisions using the concept of impairment under HKAS 39. For "normal" and "special-mention" loans, given that they are not impaired, we make collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For "substandard," "doubtful" and "loss" loans, the impairment losses are assessed individually be evaluating the loss that we expect to incur on the balance sheet date.

The following table sets forth the key default and loss ratios reflecting the asset quality of our loan business:

	As of/For the year ended December 31	
	2016	2015
	(RMB'000, except for percentage)	
Impaired loan ratio(1)	**3.2%**	2.3%
Balance of impaired loans receivable	**26,818**	16,390
Balance of gross loans receivable	**828,081**	708,886
Allowance coverage ratio(2)	**82.88%**	102.2%
Allowance for impairment losses(3)	**22,228**	16,746
Balance of impaired loans receivable	**26,818**	16,390
Provision for impairment losses ratio(4)	**2.7%**	2.4%
Loss ratio(5)	**5.4%**	6.9%
Net charge of impairment allowance on loans receivable	**7,689**	9,431
Interest income	**143,693**	135,882

Notes:

(1) Represents the balance of impaired loans receivable divided by the balance of gross loans receivable. Impaired loan ratio indicates the quality of our loan portfolio.

(2) Represents the allowance for impairment losses for all loans divided by the balance of impaired loans receivable. The allowance for impairment losses for all loans includes allowances provided for performing loans which are assessed collectively and allowances provided for impaired loans receivable which are assessed individually. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in our loan portfolio.

(3) Allowance for impairment losses reflects our management's estimate of the probable loss in our loan portfolio.

(4) Represents the allowance for impairment losses divided by the balance of gross loans receivable. Provision for impairment losses ratio measures the cumulative level of provisions.

(5) Represents the net charge of impairment allowance on loans receivable divided by our interest income. Loss ratio is a benchmark which our management uses to monitor our financial results in relation to impairment losses incurred.

Our impaired loans receivable increased from RMB16.4 million as of 31 December 2015 to RMB26.8 million as of 31 December 2016. Our impaired loan ratio increased from 2.3% as of 31 December 2015 to 3.2% as of 31 December 2016. Such increases were primarily due to the overall economic downturn in 2016.

Compliance with key regulatory requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the year ended 31 December 2016:

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian Province shall not be lower than RMB100 million.	The Company complied with such requirement for the year ended 31 December 2016.
With certain exceptions, the ratio of financing obtained from banking financial institutions to net capital for a microfinance company in Fujian province is capped at 50%. In August 2015, in recognition of our sound and compliant operations since our incorporation, the Quanzhou Financial Affairs Bureau permitted us to obtain financing through two more sources other than financing through banking financial institutions, namely inter-company borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments. In addition, we were approved by Quanzhou Financial Affairs Bureau to raise our ratio of financing obtained from these three sources to our net capital up to 100%.	The Company complied with such requirement for the year ended 31 December 2016.

Key requirements	Compliance status
The interest rates charged by microfinance companies may not exceed the maximum loan interest rate specified by judicial departments, or lower than 0.9 times of the prevailing People's Bank of China benchmark lending rate, pursuant to the *Interim Measures of Fujian Province for the Administration of Microfinance Companies* (福建省小額貸款公司暫行管理辦法). The *Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) promulgated by the Supreme People's Court (最高人民法院) on 1 September 2015 provide that: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts.	The Company complied with such applicable requirement for the year ended 31 December 2016.
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	The Company complied with such requirement for the year ended 31 December 2016.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 5% of the net capital of such microfinance company.	The Company complied with such requirement for the year ended 31 December 2016.

Key requirements	Compliance status
Upon the Listing, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the "**Amended 70% Requirement**").	Despite the fact that we were not required to comply with the Amended 70% Requirement until after the Listing, the Company voluntarily adopted and implemented a series of internal control procedures as well as managed its loan portfolio since 1 July 2014 to be in accordance and in full compliance with the Amended 70% Requirement. The Company complied with the Amended 70% Requirement for the year ended 31 December 2016.

Financial Overview

Interest income, net

We generate substantially all of our interest income from interest on loans that we provide to our customers. We incur interest expense on bank borrowings which are principally used to fund our loan business.

The following table sets forth our interest income and interest expense for the years indicated:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest income on:		
Loans receivable[(1)]	**143,693**	135,882
Interest expense on:		
Bank loans wholly repayable within five years	**(6,003)**	(5,742)
Interest income, net	**137,690**	130,140

Note:

(1) Interest income on loans receivable includes interest income on impaired loans, which amounted to RMB4.4 million and RMB3.1 million for the years ended 31 December 2015 and 2016, respectively.

Interest income

Our interest income from short-term financings provided to entrepreneurial individuals, SMEs and microenterprises primarily consists of interest income from our outstanding performing loans. Interest income from outstanding performing loans is mainly affected by two factors (i) the balance of our outstanding performing loans; and (ii) the effective interest rates that we charge on our performing loans.

The following table sets forth the average balance of our outstanding performing loans and corresponding average effective interest rate per annum for the years indicated:

	Year ended 31 December	
	2016	2015
Average balance of outstanding performing loans[1] *(RMB'000)*	**727,371**	692,311
Average effective interests rate per annum[2]	**19.33%**	19.00%

Notes:

(1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the year indicated.

(2) Calculated by dividing the interest income derived from our performing loans for the year by the average balance of outstanding performing loans for the year.

Our loan business is primarily funded by our share capital as well as our bank borrowings. The average balance of our outstanding performing loans generally demonstrates a trend consistent with our capital base during the reporting period. Our interest income increased by 5.7% from RMB135.9 million for the year ended 31 December 2015 to RMB143.7 million for the year ended 31 December 2016. The average balance of our outstanding performing loans increased by 5.1% from RMB692.3 million in 2015 to RMB727.4 million in 2016. Such increases were primarily attributable to the steady expansion of our loan business. For the years ended 31 December 2015 and 2016, our average effective interest rate per annum on our performing loans slightly increased from 19.00% to 19.33%. Such increase was primarily due to the increase in the interest rate level we charged on our loans in 2016 pursuant to the prevailing lending market conditions.

Interest expense

The following table sets forth the average balance of our bank borrowings and effective interest rates per annum for the years indicated:

	Year ended 31 December	
	2016	2015
Average balance of bank borrowings[(1)] *(RMB'000)*	**115,752**	101,789
Effective interests rate per annum[(2)]	**5.19%**	5.64%

Notes:

(1) Calculated as the average balance of our bank borrowings at the end of each month for the year indicated.

(2) Calculated by dividing the interest expense for the year by average balance of bank borrowings for the year.

Net charge of impairment allowance on loans receivable

Net charge of impairment allowance on loans receivable mainly arose from the changes in the balance of allowance for impairment loss we made in relation to our loans receivable during the relevant periods.

We review our loan portfolios periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any evidence of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to minimize difference between loss estimates and actual loss.

Our net charge of impairment allowance on loans receivable for the years ended 31 December 2015 and 2016 were RMB9.4 million and RMB7.7 million, respectively.

Operating and administrative expenses

Our operating and administrative expenses mainly include business taxes and surcharges, staff costs, service fees, depreciation and amortization expenses, leasing expenses and others. The table below sets forth the components of our operating and administrative expenses by nature for the years indicated:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Business tax and surcharges	**2,953**	7,592
Staff costs:		
Salaries, bonuses and allowances	**5,744**	4,513
Other social welfare	**1,252**	761
Service fees	**10,840**	3,738
Depreciation and amortization	**946**	727
Leasing expenses	**598**	597
Others	**4,210**	2,649
Total operating and administrative expenses	**26,543**	20,577

Our business tax and surcharges primarily comprise business tax, city maintenance and construction fees and additional education fees, accounting for 36.9% and 11.1% of our operating and administrative expenses for the years ended 31 December 2015 and 2016, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 25.6% and 26.4% of our operating and administrative expenses for the years ended 31 December 2015 and 2016, respectively. In addition to base salaries, we also offer performance-based compensation to incentivize our employees. For the years ended 31 December 2015 and 2016, the performance-based compensation of our employees, which comprises monthly performance-based salaries, project bonuses and year-end bonuses, as a percentage to our total staff costs accounted for 18.8% and 21.7%, respectively. Service fees consist of professional service fees in connection with the Listing, auditor's remuneration and other consulting fee.

Our operating and administrative expenses for the years ended 31 December 2015 and 2016 were RMB20.6 million and RMB26.5 million, respectively.

Other income and gains, net

Our net other income and gains consists of interest from bank deposits, government grants and other gains and losses. The following table sets forth the details of our net other income and gains for the years indicated:

	Year ended 31 December	
	2016	2015
	RMB	*RMB*
Foreign exchange gain, net	**7,416,460**	—
Government grants	**2,691,800**	500,000
Interest from bank deposits	**390,493**	420,878
Loss from disposal of loans	**—**	(702,000)
Others	**324,593**	—
Total	**10,823,346**	218,878

Income tax expense

During the years ended 31 December 2015 and 2016, we were subject to the general tax rate of 25% pursuant to the *Enterprise Income Tax Law* (企業所得稅法) which became effective from 1 January 2008. Our income tax expense for the years ended 31 December 2015 and 2016 was RMB25.1 million and RMB28.8 million, respectively, and our effective tax rate for the same years was 25.0% and 25.2%, respectively.

The Directors confirm that we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the relevant tax authorities in the PRC.

Net profit and total comprehensive income for the year

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB75.3 million and RMB85.5 million for the years ended 31 December 2015 and 2016, respectively.

Liquidity and Capital Resources

The H Shares of the Company became listed on the Main Board of the Stock Exchange on 30 September 2016 (the "**Listing Date**") with net proceeds from the global offering of approximately HK$271.3 million (after deducting underwriting commissions, the incentive fees and other estimated expenses in connection with the global offering).

We have in the past funded our working capital and other capital requirements primarily by equity contributions from our shareholders, bank borrowings and cash flows from operations. Our liquidity and capital requirements primarily relate to granting loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Cash flows

The following table sets forth a selected summary of our cash flow statement for the years indicated:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Net cash flows (used in)/from operating activities	**(54,618)**	71,903
Net cash flows used in investing activities	**(229)**	(1,096)
Net cash flows from/(used in) financing activities	**119,282**	(71,791)
Net increase/(decrease) in cash and cash equivalents	**64,435**	(984)
Cash and cash equivalents at beginning of year	**42,558**	43,542
Cash and cash equivalents at end of year	**114,409**	42,558

Net cash flows from/(used in) operating activities

Our business involves a substantial amount of operating cash turnover as well as ongoing funding in the ordinary course of business undertaking, given the capital-intensive nature of short-term microfinance business. Our business growth was mainly supported by funding from equity contributions and bank borrowings, which were cash inflows from financing activities.

Our cash generated from operating activities primarily consists of loans repaid by and interest income from loans we grant to customers. Our cash used in operating activities primarily consists of loans we extend to our customers. Net cash flows from operating activities reflect (i) our profit before tax adjusted for non-cash and non-operating items, such as charge on impairment, interest expense, accreted interest on impaired loans, as well as depreciation and amortization; (ii) the effects of changes in working capital; and (iii) income tax paid.

Net cash flow used in operating activities for the year ended 31 December 2016 was RMB54.6 million. Net cash flow generated from operating activities before working capital adjustment was RMB119.3 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in loans receivable of RMB119.2 million as a result of the growth of the Company's loan business; (ii) an increase in financial assets at fair value through profit or loss of RMB26.0 million; and (iii) an increase in other assets of RMB3.1 million. Such cash outflows were partly offset by an increase in other payables of RMB0.9 million mainly attributable to the increase in payrolls payable.

Net cash flows used in investing activities

Our cash used in investing activities is primarily attributable to our purchase of equipment and other long-term assets.

For the year ended 31 December 2016, our net cash flows used in investing activities was RMB0.2 million, which was mainly due to our purchase of vehicle used for sales and administrative activities for our office.

Net cash flows from/(used in) financing activities

For the year ended 31 December 2016, our net cash flow from financing activities was RMB119.3 million. Our net cash flows from financing activities consisted of proceeds from issue of H Shares of RMB260.4 million, which was offset by (i) repayment of bank borrowings of RMB100.0 million relating to the credit facility from China Development Bank in March 2016; (ii) dividend paid of RMB25.0 million; (iii) professional fees relating the Listing paid of RMB9.9 million; and (iv) interest paid of RMB6.1 million.

Cash management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2015 and 2016, the total cash and cash equivalents amounted to RMB42.6 million and RMB114.4 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected items of the statements of financial position

	As of 31 December	
	2016	2015
	RMB'000	*RMB'000*
Assets		
Cash and cash equivalents	**114,409**	42,558
Financial assets at fair value through profit or loss	**26,000**	—
Loans receivable	**805,852**	692,140
Property and equipment	**744**	981
Intangible assets	**256**	704
Deferred tax assets	**1,460**	1,184
Other assets	**12,165**	10,112
Total assets	**960,886**	747,679
Liabilities		
Interest-bearing bank borrowings	**—**	100,000
Interest payable	**—**	138
Income tax payable	**17,096**	14,529
Other payables	**4,769**	3,894
Total liabilities	**21,865**	118,561
Net assets	**939,021**	629,118

Cash and cash equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2015 and 2016, we had cash and cash equivalents of RMB42.6 million and RMB114.4 million, respectively. The increase in our cash and cash equivalents from RMB42.6 million as of 31 December 2015 to RMB114.4 million as of 31 December 2016 was primarily due to the increase in the share capital as a result of the Listing.

Loans receivable

We primarily focus on providing short-term loans to entrepreneurial individuals, SMEs and microenterprises. Loans receivable reflect the carrying amount of the principal amount of outstanding loans and accrued interest. We stop recognizing interest receivable on a loan when it is overdue for more than 90 days.

The following table sets forth our loans receivable and allowance for impairment losses as of the dates indicated:

	As of 31 December	
	2016	2015
	RMB'000	*RMB'000*
Performing loans receivable[1]	**801,263**	692,496
Impaired loans receivable[2]	**26,818**	16,390
Gross loans receivable	**828,081**	708,886
Less: Allowance for impairment losses		
— individual assessed	**(7,146)**	(3,104)
— collective assessed	**(15,083)**	(13,642)
Total allowance for impairment losses	**(22,229)**	(16,746)
Net loans receivable	**805,852**	692,140

Notes:

(1) Performing loans are collectively assessed for impairment.

(2) Impaired loans include those with objective evidence of impairment.

Our net loans receivable increased from RMB692.1 million as of 31 December 2015 to RMB805.9 million as of 31 December 2016, generally in line with our business expansion, which was attributable to our increased capital base.

We primarily offer short-term loans, which generally had maturity profiles of up to six months, to our customers. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Past due	**25,120**	**3.0**	16,390	2.3
Due within three months	**195,503**	**23.6**	399,648	56.4
Due between three months and six months	**464,288**	**56.1**	111,990	15.8
Due between six months and one year	**140,170**	**16.9**	59,140	8.3
Due over one year	**3,000**	**0.4**	121,718	17.2
Total	**828,081**	**100.0**	708,886	100.0

The majority of our loans during the years ended 31 December 2015 and 2016 were guaranteed loans, which accounted for 67.4% and 57.7% of our loans receivable as of 31 December 2015 and 2016, respectively. The following table sets forth the balance of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Credit loans	**51,593**	**6.2**	30,048	4.2
Guaranteed loans	**477,475**	**57.7**	477,873	67.4
Collateral-backed loans				
— with guarantee	**268,936**	**32.5**	186,009	26.3
— without guarantee	**30,077**	**3.6**	14,955	2.1
Total	**828,081**	**100.0**	708,886	100.0

Other assets

Our other assets primarily consist of repossessed assets, deferred and prepaid expenses, deferred service fee in connection with the Listing, intangible assets and other receivables. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 31 December	
	2016	2015
	RMB'000	*RMB'000*
Repossessed assets	**8,060**	8,060
Deferred and prepaid expenses	**2,366**	65
Deferred service fee in connection with the Listing	**—**	1,039
Other receivables	**1,738**	948
Total other assets	**12,164**	10,112

Income tax payable

Our income tax payable, which represents our current income tax liabilities, was RMB14.5 million and RMB17.1 million, respectively, as of 31 December 2015 and 2016.

Other payables

Our other payables mainly include business tax and surcharges payable, payrolls payable, audit fee, service fees in connection with the Listing and others. As of 31 December 2015 and 2016, our other payables were RMB3.9 million and RMB4.8 million, respectively

Indebtedness

Interest-bearing bank borrowings

The following table sets forth our outstanding borrowings as of the dates indicated:

	As of 31 December	
	2016	2015
	RMB'000	*RMB'000*
Secured bank loans:		
— repayable within one year	**—**	100,000
— repayable within the second year	**—**	—
Total	**—**	100,000

Contingent liabilities

As of 31 December 2016, we had no material contingent liabilities or guarantees.

Capital expenditures

Our capital expenditures consist primarily of expenditures for (i) fixtures and the purchase of office furniture and equipment; and (ii) leasehold improvements. The table sets forth our capital expenditures for the periods indicated:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Capital expenditures	**274**	1,096

Related Party Transactions

We had interest-bearing bank borrowings from China Development Bank as of 31 December 2015 amounting to RMB100.0 million, all of which were guaranteed by Mr. Zhou Yongwei, our Chairman, and his spouse as well as one of our shareholders, Fujian Septwolves Group. On 19 February 2016, such guarantee was released by China Development Bank.

Commitment and Contractual Obligations

Operation lease

We lease our office properties from third parties under non-cancellable operating leases. The table below sets out our future minimum lease payments under non-cancellable operating leases:

	As of 31 December	
	2016	2015
	RMB'000	*RMB'000*
Operating lease commitments:		
Within one year	**649**	618
One to two years (inclusive)	**682**	649
Two to three years (inclusive)	**201**	682
Three to four years (inclusive)	**—**	201
	1,532	2,150

The lease terms typically run for an initial period of one to five years, with an option to renew when all terms are renegotiated. None of the leases include contingent rental.

Capital Commitments

Other than the operating lease commitments disclosed above, we did not have any significant capital commitment as of 31 December 2016.

Key Financial Ratios

The table below sets out our key financial ratios as of the dates indicated:

	As of/For the year ended 31 December	
	2016	2015
Return on equity[(1)]	**9.1%**	12.0%
Return on assets[(2)]	**8.9%**	10.1%
Gross loans to total assets[(3)]	**86.2%**	94.8%
Gearing ratio[(4)]	**–13.9%**	8.4%

Notes:

(1) Return on equity is calculated by dividing net profit and total comprehensive income for the year by the balance of total equity as of the indicated date multiplied by 100%.

(2) Return on assets is calculated by dividing net profit and total comprehensive income for the year by the balance of total assets as of the indicated date multiplied by 100%.

(3) Gross loans to total assets ratio equals the gross loans receivable amount as of the indicated date divided by the total assets as of the same date and multiplied by 100%. Gross loans receivable represent our total loans receivable before the deduction of allowance for impairment.

(4) Gearing ratio equals net debt as of the indicated date divided by the aggregate of our capital and net debt as of the same date multiplied by 100%.

Our return on equity decreased from 12.0% for the year ended 31 December 2015 to 9.1% for the year ended 31 December 2016 primarily due to our enlarged share capital. Our return on assets decreased from 10.1% for the year ended 31 December 2015 to 8.9% for the year ended 31 December 2016 primarily due to the increase in our loan receivables and cash and cash equivalents as a result of our enlarged share capital. Our gross loans to total assets remained at a high level with a slight decrease from 94.8% as of 31 December 2015 to 86.2% as of 31 December 2016, which reflect our high capital utilization ratio. Our gearing ratio decreased from 8.4% as of 31 December 2015 to –13.9% as of 31 December 2016. The gearing ratio in 2016 was negative because we recorded a large amount of cash and cash equivalent as a result of the Listing on 30 September 2016.

Off-balance Sheet Arrangements

As of 31 December 2016, we did not have any off-balance sheet arrangements.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2016, the Company had 32 employees, all of whom were based in Quanzhou city. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance, housing allowance, etc.

PROSPECTS

Since its establishment, the Company has aimed at becoming a leading business in the industry. With the listing on the Main Board of the Stock Exchange on 30 September 2016, the Company has successfully entered the global capital market. As the 100th listed company in Quanzhou, the Company is a benchmark enterprise in Quanzhou's pilot comprehensive reform zone of financial service for real economy. The Company will further leverage the advantage of Quanzhou's financial reform to provide financial services for more SMEs, individuals and households and facilitate the financing of the real economy.

After the Listing, the Company has been subject to stricter regulatory oversight from micro-credit industry regulators and government authorities at various levels, and to more stringent transparency obligations and disclosure requirements. All these require the Company to be more rigorous and regulated in all relevant aspects including corporate governance, internal controls, information disclosure, business management, financial management and risk control.

The Company will strengthen its internal control and risk management system. On the one hand, it will strengthen its IT infrastructure by establishing a long-term partnership with third-party IT solution providers. On the other hand, it will introduce big-data-based means of risk control to support the business management and risk management of its financial services.

The Company will further strengthen its sales network, expand marketing campaigns, and provide its employees with greater career development prospects by offering them training suitable for different stages of career development to enhance their business abilities and to make them better equipped for more demanding jobs, thus further expanding the business team of the Company.

On the business front, the Company will optimize and streamline its existing main business processes and product categories to expand its business scale and product offerings. Meanwhile, we will conduct market research and internal discussions on product normalization, establish business units based on well-defined product categories and launch normalized credit granting products that meet market demand. In this way, we will offer effective services to our customers, further diversifying our product mix and optimizing our customer structure. In addition, the Company plans to develop credit granting products that meet the medium- and short-term financing needs of individual entrepreneurs and their families.

USE OF PROCEEDS FROM GLOBAL OFFERING

The H Shares of the Company became listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds from the global offering of approximately HK$271.3 million (after deducting underwriting commissions, the incentive fees and other estimated expenses in connection with the global offering), which were applied in the manners set out in the prospectus of the Company dated 19 September 2016.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance and protect the interest of its shareholders in an open manner.

From the Listing Date to 31 December 2016, the Board comprised three executive Directors, namely, Mr. Zhou Yongwei, Mr. Wu Zhirui and Mr. Yan Zhijiang, three non-executive Directors, namely, Mr. Wang Wenbin, Mr. Jiang Haiying and Mr. Zhu Jinsong, and three independent non-executive Directors, namely Mr. Cai Yi, Mr. Zhang Lihe and Mr. Wang Yiming. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. From the Listing Date to 31 December 2016, the Company has fully complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for carrying out securities transactions of the Company by the Directors. In addition, the Company has adopted a code of conduct regarding supervisors' securities transactions on terms no less exacting than the requiring standard stipulated in the Model Code. After specific enquiry with all Directors and Supervisors, they have confirmed fully compliance with the relevant requirements stipulated in the Model Code since the Listing Date.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The H Shares of the Company were listed on the Stock Exchange on the Listing Date. The Company has not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2016 to shareholders whose names appear on the Company's register of members on Monday, 26 June 2017 (the "**Proposed Final Dividend**"). Subject to the approval of the shareholders at the Company's forthcoming annual general meeting to be held on Monday, 12 June 2017 (the "**AGM**"), the Proposed Final Dividend is expected to be paid on or around Friday, 18 August 2017.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholder's entitlement to attend and vote at the AGM, the H Share register of members of the Company will be closed from Friday, 12 May 2017 to Monday, 12 June 2017, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the AGM, holders of H Shares of the Company shall lodge transfer documents with the Company's H Share registrar in Hong Kong ("**H Share Registrar**"), Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 11 May 2017.

For the purpose of determining the entitlement to the Proposed Final Dividend, the H Share register of members of the Company will be closed from Tuesday, 20 June 2017 to Monday, 26 June 2017, both days inclusive, during which period no share transfers of H Shares will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of H Shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, for registration no later than 4:30 p.m. on Monday, 19 June 2017.

EVENTS AFTER THE REPORTING PERIOD

The Company proposed a final dividend of RMB0.05 per share for the year ended 31 December 2016.

AGM

The AGM will be held at 12/F, Former Finance Building, No. 361 Feng Ze Street, Quanzhou city, Fujian province, the PRC on Monday, 12 June 2017. Notice of the AGM will be issued and disseminated to shareholders in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Company, auditing, internal controls and financial report matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with management and external auditors, Ernst & Young, the financial statements for the year ended 31 December 2016.

This Annual Results announcement is based on the Company's audited financial statements for the year ended 31 December 2016 which has been agreed with the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Annual Results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qzhuixin.net). The annual report for the year ended 31 December 2016 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and available on the same websites in due course.

By order of the Board
Quanzhou Huixin Micro-credit Co., Ltd.*
ZHOU Yongwei
Chairman

Fujian Province, PRC, 24 March 2017

As at the date of this announcement, the executive Directors of the Company are Mr. ZHOU Yongwei, Mr. WU Zhirui and Mr. YAN Zhijiang; the non-executive Directors are Ms. LIU Aiqin, Mr. JIANG Haiying and Mr. ZHU Jinsong; and the independent non-executive Directors are Mr. CAI Yi, Mr. ZHANG Lihe and Mr. WANG Yiming.

* *For identification purposes only*