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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTH ENDED 30 JUNE 2017

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 unaudited interim results (the "**Interim Results**") of the Company for the six months ended 30 June 2017 (the "**Reporting Period**"). The Board and the audit committee have reviewed and confirmed the Interim Results.

INTERIM RESULTS

Interim Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

(Amounts expressed in RMB unless otherwise stated)

	Notes	**Six months ended 30 June** **2017** **(unaudited)**	2016 (unaudited)
Interest income	*5*	**66,386,919**	72,866,434
Interest expense	*5*	**—**	(3,262,457)
Interest income, net		**66,386,919**	69,603,977
Net charge of impairment allowance on loans receivable		**(94,883)**	(4,613,263)
Operating and administrative expenses		**(9,146,089)**	(11,030,586)
Foreign exchange loss, net		**(2,337,518)**	—
Other income and gains, net	*6*	**1,341,814**	225,161
PROFIT BEFORE TAX	*7*	**56,150,243**	54,185,289
Income tax expense	*10*	**(14,128,364)**	(13,680,929)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**42,021,879**	40,504,360
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*12*		
Basic		**0.06**	0.08
Diluted		**0.06**	0.08

Interim Statement of Financial Position

30 June 2017

(Amounts expressed in RMB unless otherwise stated)

	Notes	**30 June 2017 (unaudited)**	31 December 2016 (audited)
ASSETS			
Cash and cash equivalents	*13*	**98,947,196**	114,409,337
Financial assets at fair value through profit or loss	*14*	**31,200,000**	26,000,000
Loans receivable	*15*	**848,785,313**	805,852,365
Property and equipment	*16*	**586,313**	744,456
Intangible assets	*17*	**67,028**	255,559
Deferred tax assets	*18*	**1,392,197**	1,459,976
Other assets	*19*	**12,075,613**	12,164,423
TOTAL ASSETS		**993,053,660**	960,886,116
LIABILITIES			
Income tax payable		**9,068,774**	17,096,122
Dividends payable		**34,000,000**	—
Other payables	*20*	**2,942,495**	4,769,482
TOTAL LIABILITIES		**46,011,269**	21,865,604
NET ASSETS		**947,042,391**	939,020,512
EQUITY			
Share capital	*21*	**680,000,000**	680,000,000
Reserves	*22*	**116,182,836**	116,182,836
Retained profits		**150,859,555**	142,837,676
TOTAL EQUITY		**947,042,391**	939,020,512

Interim Statement of Changes in Equity

For the six months ended 30 June 2017

(Amounts expressed in RMB unless otherwise stated)

	For the six months ended 30 June 2017 (unaudited)					
		Reserves				
	Share capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Retained profits**	**Total**
Balance as at 1 January 2017	**680,000,000**	**69,383,972**	**34,377,654**	**12,421,210**	**142,837,676**	**939,020,512**
Net profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**42,021,879**	**42,021,879**
Distribution to shareholders *(Note 11)*	**—**	**—**	**—**	**—**	**(34,000,000)**	**(34,000,000)**
Balance as at 30 June 2017	**680,000,000**	**69,383,972**	**34,377,654**	**12,421,210**	**150,859,555**	**947,042,391**

	For the six months ended 30 June 2016 (unaudited)					
		Reserves				
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total
Balance as at 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 period	—	—	—	—	40,504,360	40,504,360
Distribution to shareholders *(Note 11)*	—	—	—	—	(25,000,000)	(25,000,000)
Balance as at 30 June 2016	500,000,000	—	25,825,758	10,938,300	107,857,882	644,621,940

Interim Statement of Cash Flows
For the six months ended 30 June 2017
(Amounts expressed in RMB unless otherwise stated)

	Notes	**Six months ended 30 June** **2017** **(unaudited)**	2016 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**56,150,243**	54,185,289
Adjustments for:			
Depreciation and amortisation		**505,326**	486,100
Impairment charged	*15*	**94,883**	4,613,263
Accreted interest on impaired loans	*15*	**(1,601,982)**	(1,633,808)
Foreign exchange loss, net		**2,337,518**	—
Loss on disposal of items of property and equipment		**3,638**	—
Interest expense	*5*	**—**	3,262,457
		57,489,626	60,913,301
Increase in financial assets at fair value through profit or loss		**(5,200,000)**	—
Increase in loans receivable		**(41,425,849)**	(99,325,807)
Decrease/(Increase) in other assets		**1,310,650**	(1,208,082)
Increase in other payables		**(1,826,987)**	(774,979)
Net cash flows from/(used in) operating activities before tax		**10,347,440**	(40,395,567)
Income tax paid		**(22,087,933)**	(18,424,066)
Net cash flows used in operating activities		**(11,740,493)**	(58,819,633)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(162,290)**	(28,380)
Prepayment for an intangible asset		**(1,221,840)**	—
Net cash flows used in investing activities		**(1,384,130)**	(28,380)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new bank borrowings		**—**	150,000,000
Repayment of bank borrowings		**—**	(100,000,000)
Interest paid		**—**	(3,205,249)
Dividends paid	*11*	**—**	(25,000,000)
Net cash flows from financing activities		**—**	21,794,751
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(13,124,623)**	(37,053,262)
Cash and cash equivalents at beginning of the period		**114,409,337**	42,557,847
Effect of foreign exchange rate changes, net		**(2,337,518)**	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**98,947,196**	5,504,585

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE INFORMATION

Quanzhou Huixin Micro-credit Co., Ltd. (the "Company") 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.

During the period, 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 public 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 and trading of its H shares commenced on 30 September 2016.

2. BASIS OF PREPARATION

The interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs"), as well as with all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 December 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016, except for the adoption of the new and revised standards and interpretations as of 1 January 2017, as described below.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle • amendments to HKFRS 12 *Disclosure of Interests in Other Entities*

The adoption of these amendments does not have a significant impact on the financial statements of the Company.

3.2 Issued but not yet effective Hong Kong financial reporting standards

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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HK(IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle • *amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards*[1] • *amendments to HKAS 28 Investments in Associates and Joint Ventures*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Further information about those HKFRSs that are expected to be applicable to the Company is as follows:

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 30 June 2017, 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 30 June 2017, 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.

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 25, total operating lease commitments of the Company in respect of leased premises as at 30 June 2017 amounted to RMB1.2 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.

3.3 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.

3.4 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 period, 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 period.

5. INTEREST INCOME

	Six months ended 30 June	
	2017	2016
Interest income on:		
Loans receivable	**66,386,919**	72,866,434
Interest expense on:		
Bank loans		
Wholly repayable within five years	**—**	(3,262,457)
Interest income, net	**66,386,919**	69,603,977
Included: interest income on impaired loans	**2,182,801**	3,226,742

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2017	2016
Gains from financial assets at fair value through profit or loss	**1,224,577**	—
Interest from bank deposits	**124,251**	225,161
Non-operating expenses	**(7,014)**	—
Total	**1,341,814**	225,161

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
Depreciation and amortisation	**505,326**	486,100
Staff costs:		
Salaries, bonuses and allowances	**3,057,919**	2,618,263
Other social welfare	**420,621**	682,007
Net charge of impairment allowance on loans receivable	**94,883**	4,613,263
Leasing expense	**304,730**	299,755
Consulting fee	**2,128,815**	—
Service fee in connection with listing	**—**	2,908,560
Auditor's remuneration	**324,272**	315,534

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

The Company did not have chief executive at any time during the period. Directors' and supervisors' remuneration for the period, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Six months ended 30 June 2017			
Name	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Zhou Yongwei	—	—	—	—
Wu Zhirui	—	380,206	17,977	398,183
Yan Zhijiang	—	186,969	20,974	207,943
Non-executive Directors				
Wang Wenbin[1]	—	—	—	—
Zhu Jinsong	—	—	—	—
Jiang Haiying	—	—	—	—
Cai Yi[3]	43,328	—	—	43,328
Zhang Lihe	43,328	—	—	43,328
Wang Yiming[3]	—	—	—	—
Liu Aiqin[2]	—	—	—	—
Lin Jianguo[4]	—	—	—	—
Sun Lixun[4]	43,328	—	—	43,328
Supervisors				
Ng Seng Chuan	—	—	—	—
Li Jiancheng	—	—	—	—
Hong Lijun	—	173,766	16,258	190,024
Ruan Cen	—	44,402	12,994	57,396
Wu Lindi	10,000	—	—	10,000
Chen Jinzhu	10,000			10,000
Wang Shijie	—	73,400	12,154	85,554
	149,984	858,743	80,357	1,089,084

1 Resigned as director in March 2017
2 Appointed as director in March 2017
3 Resigned as director in June 2017
4 Appointed as director in June 2017

Name	Fees	Six months ended 30 June 2016 Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Zhou Yongwei	—	—	12,558	12,558
Wu Zhirui	—	318,000	32,338	350,338
Yan Zhijiang	—	162,200	32,338	194,538
Non-executive Directors				
Wang Wenbin	—	—	—	—
Zhu Jinsong	—	—	—	—
Jiang Haiying	—	—	—	—
Cai Yi	41,456	—	—	41,456
Zhang Lihe	41,456	—	—	41,456
Wang Yiming	31,813	—	—	31,813
Supervisors				
Ng Seng Chuan	—	—	—	—
Ng Hong Hung[1]	—	—	—	—
Li Jiancheng[2]	—	—	—	—
Hong Lijun	5,000	106,853	25,060	136,913
Ruan Cen	5,000	43,143	16,527	64,670
Fang Qichao[3]	2,056	41,646	11,287	54,989
Wu Lindi	10,000	—	—	10,000
Chen Jinzhu	10,000	—	—	10,000
Wang Shijie[4]	2,927	25,232	8,461	36,620
	149,708	697,074	138,569	985,351

1 Resigned as supervisor in February 2016
2 Appointed as supervisor in February 2016
3 Resigned as supervisor in March 2016
4 Appointed as supervisor in March 2016

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the period included two directors and one supervisor (for the six months ended 30 June 2016: two directors and one supervisor), details of whose remuneration are set out in note 8 above. Details of the remuneration for the period of the remaining two (for the six months ended 30 June 2016: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Six months ended 30 June	
	2017	2016
Salaries, allowances and benefits in kind	**316,407**	274,281
Contribution to defined contribution scheme	**32,809**	59,696
Total	**349,216**	333,977

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Six months ended 30 June	
	2017	2016
Nil — RMB1,000,000	**2**	2

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
Current income tax	**14,060,585**	13,780,976
Deferred income tax *(Note 18)*	**67,779**	(100,047)
Total	**14,128,364**	13,680,929

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:

	Six months ended 30 June	
	2017	2016
Profit before tax	**56,150,243**	54,185,289
Tax at the applicable tax rate of 25%	**14,037,561**	13,546,322
Tax effect of expenses not deductible for tax purposes	**90,803**	34,117
Adjustment for prior year tax expense	**—**	100,490
Total tax expense for the period at the Company's effective tax rate	**14,128,364**	13,680,929

11. DIVIDENDS

	Six months ended 30 June	
	2017	2016
Proposed dividend	**34,000,000**	25,000,000

Pursuant to the resolution of its annual general meeting on 12 June 2017, the Company announced the distribution of RMB34 million cash dividends to the shareholders.

12. 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 period attributable to shareholders, and the weighted average number of ordinary shares in issue during the period, as adjusted to reflect the rights issue during the period.

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

	Six months ended 30 June	
	2017	2016
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**42,021,879**	40,504,360
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**680,000,000**	500,000,000
Basic and diluted earnings per share	**0.06**	0.08

13. CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash on hand	**1,422**	1,764
Cash at banks	**98,945,774**	114,407,573
	98,947,196	114,409,337

At the end of the Reporting Period, the cash and bank balances of the Company denominated in Hong Kong dollar ("HKD") amounted to RMB71,979,166 (31 December 2016: RMB85,499,511). Cash at banks earns interest at floating rates based on daily bank deposit rates.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017	31 December 2016
Wealth management products	**31,200,000**	26,000,000

During the period, in order to generate income from surplus cash more effectively, the Company purchased from time to time wealth management products, which are held for a relatively short period of time and can be withdrawn on demand, offered by licensed commercial banks in the PRC.

15. LOANS RECEIVABLE

	30 June 2017	31 December 2016
Loans receivable	**869,506,493**	828,080,644
Less: Allowance for impairment		
— Individually assessed	**(5,939,934)**	(7,145,684)
— Collectively assessed	**(14,781,246)**	(15,082,595)
	848,785,313	805,852,365

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:

	30 June 2017	31 December 2016
Performing loans receivable (i)	**847,313,905**	801,263,056
Impaired loans receivable (ii)	**22,192,588**	26,817,588
	869,506,493	828,080,644

(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 30 June 2017, 56.9% (as at 31 December 2016: 57.7%) of loans receivable were guaranteed loans, and 42.0% (as at 31 December 2016: 36.1%) of loans receivable were collateral-backed loans.

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

	Individually assessed	Collectively assessed	Total
As at 1 January 2016	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
Charges/(reversal) for the period	396,232	(301,349)	94,883
Accreted interest on impaired loans	(1,601,982)	—	(1,601,982)
As at 30 June 2017	5,939,934	14,781,246	20,721,180

16. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:				
At 1 January 2016	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
Additions	—	97,890	—	97,890
Disposals	—	(72,757)	—	(72,757)
At 30 June 2017	993,291	484,647	1,757,721	3,235,659
Accumulated depreciation:				
At 1 January 2016	796,505	310,006	1,112,959	2,219,470
Depreciation	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
Depreciation	48,515	27,670	176,210	252,395
Disposals	—	(69,119)	—	(69,119)
At 30 June 2017	686,244	322,863	1,640,239	2,649,346
Net carrying amount:				
At 30 June 2017	307,047	161,784	117,482	586,313
At 31 December 2016	355,562	95,202	293,692	744,456

17. INTANGIBLE ASSETS

	Software
Cost:	
At 1 January 2016 and 1 January 2017	890,000
Additions	64,400
At 30 June 2017	954,400
Accumulated amortisation:	
At 1 January 2016	185,822
Charge	448,619
At 31 December 2016	634,441
Charge	252,931
At 30 June 2017	887,372
Net carrying amount:	
At 30 June 2017	67,028
At 31 December 2016	255,559

18. DEFERRED TAX ASSETS

The movements in the deferred tax assets are as follows:

	Impairment allowance on loans
At 1 January 2016	1,184,352
Recognised in profit or loss *(Note 10)*	275,624
At 31 December 2016	1,459,976
Recognised in profit or loss *(Note 10)*	(67,779)
At 30 June 2017	1,392,197

19. OTHER ASSETS

	30 June 2017	31 December 2016
Repossessed assets *(a)*	**8,060,000**	8,060,000
Deferred and prepaid expenses	**2,860,217**	2,366,095
Other receivables	**1,155,396**	1,738,328
	12,075,613	12,164,423

(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.

20. OTHER PAYABLES

	30 June 2017	31 December 2016
Value-added tax, business tax and surcharges payable	**1,519,703**	1,327,054
Payrolls payable	**950,000**	1,869,573
Auditor's remuneration	**300,000**	875,000
Guarantee fee	**—**	593,725
Others	**172,792**	104,130
	2,942,495	4,769,482

21. SHARE CAPITAL

	30 June 2017	31 December 2016
Issued and fully paid ordinary shares of RMB1 each	**680,000,000**	680,000,000

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

	Number of shares in issue	**Share capital**
At 1 January 2016	500,000,000	500,000,000
H shares issued	180,000,000	180,000,000
At 31 December 2016 and 30 June 2017	680,000,000	680,000,000

As described in note 1, on 30 September 2016, 180,000,000 ordinary shares of the Company of RMB1 each were issued at HKD1.68 (equivalent to approximately RMB1.45) each for a total cash consideration, before issue expenses, of RMB260.37 million through an initial public offering.

22. RESERVES

The amounts of the Company's reserves and the movements therein for the period 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 30 June 2017, the balance of the general reserve of the Company was RMB12.42 million.

Distributable profit

Pursuant to the resolution of the 12th meeting of the first session of board of directors of the Company 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. The dividend distribution was approved by shareholders at the annual general meeting on 12 June 2017.

23. RELATED PARTY DISCLOSURES

Compensation of key management personnel of the Company

	Six months ended 30 June	
	2017	2016
Salaries and other short-term employee benefits	**1,042,898**	778,862

Further details of non-executive directors' and supervisors' emoluments are included in note 8 to the financial statements.

24. CONTINGENT LIABILITIES

As at 30 June 2017, there was no significant contingent liabilities.

25. 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:

	30 June 2017	31 December 2016
Within 1 year (including 1 year)	**665,073**	649,074
1 to 2 years (including 2 years)	**547,142**	681,528
2 to 3 years (including 3 years)	**—**	201,579
	1,212,215	1,532,181

26. COMMITMENTS

At the end of the Reporting Period, the Company had the following capital commitments:

	30 June 2017	31 December 2016
Contracted, but not provided for	**1,499,328**	—

As at 30 June 2017, the Company had commitments for the acquisition of the new financial software of RMB1,499,328.

27. FINANCIAL INSTRUMENTS BY CATEGORY

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

	30 June 2017	31 December 2016
Financial assets		
Cash and cash equivalents	**98,947,196**	114,409,337
Financial assets at fair value through profit or loss	**31,200,000**	26,000,000
Loans receivable	**848,785,313**	805,852,365
Other receivables	**1,155,396**	1,738,328
	980,087,905	948,000,030

	30 June 2017	31 December 2016
Financial liabilities		
Dividends payable	**34,000,000**	—
Other payables	**472,792**	1,572,855
	34,472,792	1,572,855

28. 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 policies and procedures.

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

- Centralised credit management procedures;
- Risk management policies 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 honor 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 maximum 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.

	30 June 2017				
	Not overdue	**Overdue within 3 months**	**Overdue more than 3 to 12 months**	**Overdue more than 1 year**	**Total**
Guaranteed loans	**—**	**—**	**1,883,075**	**20,309,513**	**22,192,588**

	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

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**
30 June 2017	845,213,905	2,100,000	22,192,588	869,506,493
31 December 2016	801,263,056	—	26,817,588	828,080,644

As at 30 June 2017, loans neither past due nor impaired were related to various diversified customers with no recent default history. As at 31 July 2017, loans past due but not impaired has been collected.

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). 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 exchange rate	**For the six months ended 30 June 2017 Impact on profit before tax**	For the year ended 31 December 2016 Impact on profit before tax
+ 5%	**3,598,958**	4,274,976
– 5%	**(3,598,958)**	(4,274,976)

(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.

			30 June 2017			
	Overdue	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Floating rate**	**Total**
Financial assets:						
Cash at banks	**—**	**—**	**—**	**—**	**98,945,774**	**98,945,774**
Loans receivable	**16,699,958**	**263,531,801**	**556,321,350**	**12,232,204**	**—**	**848,785,313**
Exposure to interest sensitivity	**16,699,958**	**263,531,801**	**556,321,350**	**12,232,204**	**98,945,774**	**947,731,087**

			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
Total	18,383,860	187,720,610	596,998,095	2,749,800	114,407,573	920,259,938

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	**For the six months ended 30 June 2017 Impact on profit before tax**	For the year ended 31 December 2016 Impact on profit before tax
+ 50 basis points	**494,729**	572,038
– 50 basis points	**(494,729)**	(572,038)

(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 (note 14). As at 30 June 2017, 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 RMB3.1 million (31 December 2016: RMB2.6 million).

(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:

	30 June 2017					
	On demand	**Overdue**	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Total**
Financial assets:						
Cash and cash equivalents	**98,947,196**	**—**	**—**	**—**	**—**	**98,947,196**
Financial assets at fair value through profit or loss	**31,200,000**	**—**	**—**	**—**	**—**	**31,200,000**
Loans receivable	**—**	**24,292,588**	**275,144,913**	**602,559,899**	**18,996,396**	**920,993,796**
Other assets	**—**	**—**	**1,006,141**	**—**	**149,255**	**1,155,396**
Subtotal	**130,147,196**	**24,292,588**	**276,151,054**	**602,559,899**	**19,145,651**	**1,052,296,388**
Financial liabilities:						
Dividends payable	**—**	**—**	**34,000,000**	**—**	**—**	**34,000,000**
Other payables	**—**	**—**	**300,000**	**172,792**	**—**	**472,792**
Subtotal	**—**	**—**	**34,300,000**	**172,792**	**—**	**34,472,792**
Net	**130,147,196**	**24,292,588**	**241,851,054**	**602,387,107**	**19,145,651**	**1,017,823,596**

	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

(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 six months ended 30 June 2017.

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:

	30 June 2017	31 December 2016
Interest-bearing bank borrowings	**—**	—
Less: cash and cash equivalents	**98,947,196**	114,409,337
Net debt	**(98,947,196)**	(114,409,337)
Share capital	**680,000,000**	680,000,000
Reserves	**116,182,836**	116,182,836
Retained profits	**150,859,555**	142,837,676
Capital	**947,042,391**	939,020,512
Capital and net debt	**848,095,195**	824,611,175
Gearing ratio	**–11.7%**	–13.9%

29. 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.

	30 June 2017					
	On demand	**Overdue**	**Less than 3 months**	**3 to less than 12 months**	**After 12 months**	**Total**
Assets:						
Cash and cash equivalents	**98,947,196**	**—**	**—**	**—**	**—**	**98,947,196**
Financial assets at fair value through profit or loss	**31,200,000**	**—**	**—**	**—**	**—**	**31,200,000**
Loans receivable	**—**	**16,699,958**	**263,531,801**	**556,321,350**	**12,232,204**	**848,785,313**
Property and equipment	**—**	**—**	**—**	**—**	**586,313**	**586,313**
Intangible assets	**—**	**—**	**—**	**—**	**67,028**	**67,028**
Deferred tax assets	**—**	**—**	**—**	**—**	**1,392,197**	**1,392,197**
Other assets	**—**	**—**	**1,566,202**	**1,078,316**	**9,431,095**	**12,075,613**
Subtotal	**130,147,196**	**16,699,958**	**265,098,003**	**557,399,666**	**23,708,837**	**993,053,660**
Liabilities:						
Income tax payable	**—**	**—**	**9,068,774**	**—**	**—**	**9,068,774**
Dividend payable	**—**	**—**	**34,000,000**	**—**	**—**	**34,000,000**
Other payables	**—**	**—**	**2,942,495**	**—**	**—**	**2,942,495**
Subtotal	**—**	**—**	**46,011,269**	**—**	**—**	**46,011,269**
Net	**130,147,196**	**16,699,958**	**219,086,734**	**557,399,666**	**23,708,837**	**947,042,391**

	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

30. 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 30 June 2017		**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	31,200,000	—	—	31,200,000

During the six months ended 30 June 2017, the Company had no transfer of financial assets measured at fair value between level 1 and level 2.

31. EVENTS AFTER THE REPORTING PERIOD

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

32. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved and authorized for issue by the Company's board of directors on 25 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Since the China Banking Regulatory Commission (中國銀行業監督管理委員會) ("**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 People's Republic of China (the "**State Council**") approved the establishment of a pilot financial reform zone in Quanzhou, making Quanzhou 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 enterprises (the "**SMEs**") and local microenterprises. In 2014, the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會) designated Quanzhou 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. In December 2015, the State Council promulgated the Plan for Promoting the Development of Inclusive Finance (2016–2020) (Guo Fa [2015] No. 74) (推進普惠金融發展規劃(2016–2020年) (國發[2015]74號)), which aims to improve the quality and the coverage of inclusive finance service. Moreover, in 2017, the government of Quanzhou promulgated the Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which encourages microfinance companies to develop innovative businesses.

Business Overview

Our loan business

Based in Quanzhou, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2016, according to the Fujian Economic and Information Technology 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 year ended 31 December 2016 and the six months ended 30 June 2017, we served 341 and 337 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 30 June 2017	As of 31 December 2016
Share capital (RMB in millions)	**680.0**	680.0
Net capital (RMB in millions)[(1)]	**947.0**	939.0
Principal amount of outstanding loans (RMB in millions)	**855.6**	817.6
Loan/Net capital ratio[(2)]	**0.90 Times**	0.87 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 periods indicated:

	For the six months ended 30 June 2017	For the year ended 31 December 2016
Average balance of outstanding performing loans[(1)] (RMB'000)	**785,272**	727,371
Average effective interest rate per annum	**16.35%[(3)]**	19.33%[(2)]

Notes:

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

(3) Calculated by dividing the interest income derived from our performing loans for the period by the average balance of outstanding performing loans for the period multiplied by two.

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 RMB817.6 million as of 31 December 2016 to RMB855.6 million as of 30 June 2017, primarily due to the expansion of our loan business.

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 30 June 2017		As of 31 December 2016	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Revolving loans	**529,413**	**61.9**	387,588	47.4
Term loans	**326,216**	**38.1**	429,989	52.6
Total	**855,629**	**100.0**	817,577	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 were 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 30 June 2017		As of 31 December 2016	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Credit loans	**10,000**	**1.2**	50,000	6.1
Guaranteed loans	**490,665**	**57.3**	471,277	57.6
Collateral-backed loans				
— with guarantee	**303,650**	**35.5**	266,400	32.6
— without guarantee	**51,314**	**6.0**	29,900	3.7
Total	**855,629**	**100.0**	817,577	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 30 June 2017		As of 31 December 2016	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Past due	**22,594**	**2.6**[(1)]	25,119	3.1[(1)]
Due within three months	**257,581**	**30.1**	185,000	22.6
Due between three months and six months	**343,510**	**40.1**	464,288	56.8
Due between six months and one year	**219,480**	**25.7**	140,170	17.1
Due over one year	**12,464**	**1.5**	3,000	0.4
Total	**855,629**	**100.0**	817,577	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 RMB25.1 million and RMB22.6 million as of 31 December 2016 and 30 June 2017, respectively, accounting for 3.1% and 2.6% of the total principal amount of our outstanding loans as of the same dates.

As of 31 December 2016, we had 18 past due loans with an aggregate amount of RMB25.1 million. As of 30 June 2017, RMB2.5 million of the principal amount of these past due loans as of 31 December 2016 had been settled. As of 30 June 2017, the remaining portion of principal amount of past due loans as of 31 December 2016 was RMB22.6 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2016 was RMB4.8 million.

As of 30 June 2017, we had 17 past due loans with an aggregate amount of RMB22.6 million, and the allowance for impairment losses for these past due loans as of the same date was RMB4.8 million.

The principal amount of our past due loans decreased from RMB25.1 million as of 31 December 2016 to RMB22.6 million as of 30 June 2017, mainly because we were able to collect some of the past due loans from our customers during the Reporting Period.

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 30 June 2017			As of 31 December 2016		
	Number of borrower[(1)]	***RMB'000***	***%[(2)]***	*Number of borrower[(1)]*	*RMB'000*	*%[(2)]*
Principal amount of outstanding loans:						
Up to RMB1.0 million	**70**	**22,749**	**2.6**	33	19,870	2.4
Over RMB1.0 million to RMB3.0 million (inclusive)	**55**	**121,360**	**14.2**	38	78,187	9.6
Over RMB3.0 million to RMB5.0 million (inclusive)	**115**	**508,220**	**59.4**	118	537,200	65.7
Over RMB5.0 million to RMB10.0 million (inclusive)	**7**	**58,100**	**6.8**	5	37,370	4.6
Over RMB10.0 million	**8**	**145,200**	**17.0**	8	144,950	17.7
Total	**255**	**855,629**	**100.0**	202	817,577	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 30 June 2017		As of 31 December 2016	
	RMB'000	***%***	*RMB'000*	*%*
Normal	**787,437**	**92.0**	694,110	84.9
Special-mention	**46,000**	**5.4**	96,650	11.8
Substandard	**19,953**	**2.3**	24,578	3.0
Doubtful	**1,739**	**0.2**	1,739	0.2
Loss	**500**	**0.1**	500	0.1
Total	**855,629**	**100.0**	817,577	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 in Hong Kong Accounting Standards. 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 by 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 six months ended 30 June 2017	As of/For the year ended 31 December 2016
	(RMB'000, except for percentage)	
Impaired loan ratio(1)	**2.6%**	3.2%
Balance of impaired loans receivable	**22,192**	26,818
Balance of gross loans receivable	**869,507**	828,081
Allowance coverage ratio(2)	**93.4%**	82.88%
Allowance for impairment losses(3)	**20,721**	22,228
Balance of impaired loans receivable	**22,192**	26,818
Provision for impairment losses ratio(4)	**2.4%**	2.7%
Loss ratio(5)	**0.1%**	5.4%
Net charge of impairment allowance on loans receivable	**95**	7,689
Interest income	**66,387**	143,693

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 decreased from RMB26.8 million as of 31 December 2016 to RMB22.2 million as of 30 June 2017. Our impaired loan ratio decreased from 3.2% as of 31 December 2016 to 2.6% as of 30 June 2017. Such decreases were primarily because we were able to collect some of the past due loans from our customers during the Reporting Period.

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 six months ended 30 June 2017:

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 six months ended 30 June 2017.
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 (海峽股權交易中心) 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 six months ended 30 June 2017.

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 (中國人民銀行) 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 six months ended 30 June 2017.
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 six months ended 30 June 2017.
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 six months ended 30 June 2017.

Key requirements	Compliance status
Upon the listing of the H shares on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") on 30 September 2016 (the "**Listing Date**"), 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**").	The Company complied with the Amended 70% Requirement for the six months ended 30 June 2017.

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 periods indicated:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest income on:		
Loans receivable(1)	**66,387**	72,866
Interest expense on:		
Bank loans wholly repayable within five years	**—**	3,262
Interest income, net	**66,387**	69,604

Note:

(1) Interest income on loans receivable includes interest income on impaired loans, which amounted to RMB2.2 million and RMB3.2 million for the six months ended 30 June 2016 and 2017, 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 periods indicated:

	For the six months ended 30 June	
	2017	2016
Average balance of outstanding performing loans[1] *(RMB'000)*	**785,272**	720,109
Average effective interest rate per annum[2]	**16.35%**	19.34%

Notes:

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

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

Our loan business is primarily funded by our share capital as well as our bank borrowings. Our interest income decreased by 8.9% from RMB72.9 million for the six months ended 30 June 2016 to RMB66.4 million for the six months ended 30 June 2017. The average balance of our outstanding performing loans increased by 9.0% from RMB720.1 million for the six months ended 30 June 2016 to RMB785.3 million for the six months ended 30 June 2017. Such increase was primarily attributable to the steady expansion of our loan business. For the six months ended 30 June 2016 and 2017, our average effective interest rate per annum on our performing loans decreased from 19.34% to 16.35%. Such decrease was primarily due to the decrease in our interest income, which was primarily as a result of: (i) our interest income was recognised as net of VAT due to the imposition of VAT in lieu of business tax policy under Circular No. 36, which became effective from 1 May 2016; and (ii) the lower interest rate we charged our high-quality customers for the Reporting Period.

Interest expense

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

	For the six months ended 30 June	
	2017	2016
Average balance of bank borrowings[1] *(RMB'000)*	**—**	115,752
Effective interest rate per annum[2]	**—**	5.2%

Notes:

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

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

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 six months ended 30 June 2016 and 2017 were RMB4.6 million and RMB0.09 million, respectively.

Operating and administrative expenses

Our operating and administrative expenses mainly include tax 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 periods indicated:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Tax and surcharges	**505.9**	2,464.1
Staff costs:		
Salaries, bonuses and allowances	**3,057.9**	2,618.3
Other social welfare	**420.6**	682.0
Service fees	**2,453.1**	3,224.1
Depreciation and amortization	**505.3**	486.1
Leasing expenses	**304.7**	299.8
Others	**1,898.6**	1,256.2
Total operating and administrative expenses	**9,146.1**	11,030.6

Our tax and surcharges primarily comprise business tax, city maintenance and construction tax and additional education fees, accounting for 22.3% and 5.5% of our operating and administrative expenses for the six months ended 30 June 2016 and 2017, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 29.9% and 38.0% of our operating and administrative expenses for the six months ended 30 June 2016 and 2017, respectively. Service fees consist of professional service fees, and other consulting fees.

Our operating and administrative expenses decreased from RMB11.0 million for the six months ended 30 June 2016 to RMB9.1 million for the six months ended 30 June 2017. Such decrease was primarily due to (i) the decrease of tax and surcharges of RMB2.0 million as a result of the imposition of VAT in lieu of business tax policy; and (ii) the decrease of service fees of RMB0.7 million.

Other income and gains, net

Our net other income and gains consists of gains from financial assets at fair value through profit or loss, interest from bank deposits, and non-operating expenses. The following table sets forth the details of our net other income and gains for the periods indicated:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Gains from financial assets at fair value through profit or loss	**1,224.6**	—
Interest from bank deposits	**124.2**	225.2
Non-operating expenses	**(7.0)**	—
Total	**1,341.8**	225.2

Income tax expense

During the six months ended 30 June 2016 and 2017, we were subject to the general tax rate of 25.0% pursuant to the Enterprise Income Tax Law (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and became effective as from the same day. Our income tax expense for the six months ended 30 June 2016 and 2017 was RMB13.7 million and RMB14.1 million, respectively, and our effective tax rate for the same periods was 25.2% and 25.2%, respectively.

The Directors confirmed 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 People's Republic of China.

Net profit and total comprehensive income for the period

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB40.5 million and RMB42.0 million for the six months ended 30 June 2016 and 2017, respectively.

Liquidity and capital resources

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 expenses in connection with the global offering).

We have 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 periods indicated:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(11,740.5)**	(58,819.6)
Net cash flows used in investing activities	**(1,384.1)**	(28.4)
Net cash flows from financing activities	**—**	21,794.8
Net decrease in cash and cash equivalents	**(13,124.6)**	(37,053.3)
Cash and cash equivalents at beginning of the period	**114,409.3**	42,557.8
Cash and cash equivalents at end of the period	**98,947.2**	5,504.6

Net cash flows 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 our customers 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, foreign exchange loss, loss on disposal of property and equipments, as well as depreciation and amortization; (ii) the effects of changes in working capital; and (iii) income tax paid.

Net cash flows used in operating activities for the six months ended 30 June 2017 was RMB11.7 million. Net cash flows generated from operating activities before working capital adjustment was RMB57.5 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in loans receivable of RMB41.4 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 RMB5.2 million; and (iii) an increase in other payables of RMB1.8 million. Such cash outflows were partly offset by decrease in other assets of RMB1.3 million mainly attributable to the decrease of prepayment of service fees.

Net cash flows used in investing activities

Our cash used in investing activities is primarily attributable to our prepayment for an intangible asset.

For the six months ended 30 June 2017, our net cash flows used in investing activities was RMB1.4 million, which was mainly due to our prepayment for the acquisition of a new financial software to enhance our business process management.

Net cash flows from financing activities

For the six months ended 30 June 2017, we did not record any cash flows from financing activities.

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 2016 and 30 June 2017, the total cash and cash equivalents amounted to RMB114.4 million and RMB98.9 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 30 June 2017	As of 31 December 2016
	RMB'000	*RMB'000*
Assets		
Cash and cash equivalents	**98,947**	114,409
Financial assets at fair value through profit or loss	**31,200**	26,000
Loans receivable	**848,785**	805,852
Property and equipment	**586**	744
Intangible assets	**67**	256
Deferred tax assets	**1,392**	1,460
Other assets	**12,076**	12,165
Total assets	**993,053**	960,886
Liabilities		
Income tax payable	**9,069**	17,096
Dividends payable	**34,000**	—
Other payables	**2,942**	4,769
Total liabilities	**46,011**	21,865
Net assets	**947,042**	939,021

Cash and cash equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2016 and 30 June 2017, we had cash and cash equivalents of RMB114.4 million and RMB98.9 million, respectively. The decrease in our cash and cash equivalents from RMB114.4 million as of 31 December 2016 to RMB98.9 million as of 30 June 2017 was primarily due to the expansion of our loan business.

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 30 June 2017	As of 31 December 2016
	RMB'000	*RMB'000*
Performing loans receivable[1]	**847,314**	801,263
Impaired loans receivable[2]	**22,192**	26,818
Gross loans receivable	**869,506**	828,081
Less: Allowance for impairment losses		
— individual assessed	**(5,940)**	(7,146)
— collective assessed	**(14,781)**	(15,083)
Total allowance for impairment losses	**(20,721)**	(22,229)
Net loans receivable	**848,785**	805,852

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 RMB805.9 million as of 31 December 2016 to RMB848.8 million as of 30 June 2017, which was generally in line with our business expansion.

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 30 June 2017		As of 31 December 2016	
	RMB'000	*%*	*RMB'000*	*%*
Past due	**22,594**	**2.6**	25,120	3.0
Due within three months	**271,458**	**31.2**	195,503	23.6
Due between three months and six months	**343,510**	**39.5**	464,288	56.1
Due between six months and one year	**219,480**	**25.2**	140,170	16.9
Due over one year	**12,464**	**1.5**	3,000	0.4
Total	**869,506**	**100.0**	828,081	100.0

The majority of our loans during the year ended 31 December 2016 and the six months ended 30 June 2017 were guaranteed loans, which accounted for 57.7% and 56.9% of our loans receivable as of 31 December 2016 and 30 June 2017, respectively. The following table sets forth the balance of our gross loans receivable as of the dates indicated:

	As of 30 June 2017		As of 31 December 2016	
	RMB'000	*%*	*RMB'000*	*%*
Credit loans	**10,048**	**1.1**	51,593	6.2
Guaranteed loans	**494,489**	**56.9**	477,475	57.7
Collateral-backed loans				
— with guarantee	**313,760**	**36.1**	268,936	32.5
— without guarantee	**51,209**	**5.9**	30,077	3.6
Total	**869,506**	**100.0**	828,081	100.0

Other assets

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

	As of 30 June 2017	As of 31 December 2016
	RMB'000	*RMB'000*
Repossessed assets	**8,060**	8,060
Deferred and prepaid expenses	**2,860**	2,366
Other receivables	**1,156**	1,738
Total other assets	**12,076**	12,164

Income tax payable

Our income tax payable, which represents our current income tax liabilities, was RMB17.1 million and RMB9.1 million, respectively, as of 31 December 2016 and 30 June 2017.

Other payables

Our other payables mainly include tax and surcharges payable, payrolls payable, auditor's remuneration and others. As of 31 December 2016 and 30 June 2017, our other payables were RMB4.8 million and RMB2.9 million, respectively.

Indebtedness

Interest-bearing bank borrowings

As of 30 June 2017, we had no interest-bearing bank borrowings.

Contingent liabilities

As of 30 June 2017, we had no material contingent liabilities.

Capital expenditures

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Capital expenditures	**162**	28

Commitment and contractual obligations

Operating 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 30 June 2017	As of 31 December 2016
	RMB'000	*RMB'000*
Operating lease commitments:		
Within one year	**665**	649
One to two years (inclusive)	**547**	682
Two to three years (inclusive)	**—**	201
Total	**1,212**	1,532

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

	As of 30 June 2017 ***RMB'000***	As of 31 December 2016 *RMB'000*
Contracted, but not provided for	**1,499**	—

As of 30 June 2017, we had commitments for the acquisition of a new financial software of RMB1.5 million.

Key financial ratios

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

	As of/ For the six months ended 30 June 2017	As of/ For the year ended 31 December 2016
Return on equity(1)	**N/A(5)**	9.1%
Return on assets(2)	**N/A(5)**	8.9%
Gross loans to total assets(3)	**87.6%**	86.2%
Gearing ratio(4)	**–11.7%**	–13.9%

Notes:

(1) Return on equity is calculated by dividing net profit and total comprehensive income for the year/period 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/period 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%.

(5) Such ratio is not meaningful as it is not comparable to annual numbers.

Our gross loans to total assets remained at a high level with a slight increase from 86.2% as of 31 December 2016 to 87.6% as of 30 June 2017, which reflect our high capital utilization ratio. Our gearing ratio increased from –13.9% as of 31 December 2016 to –11.7% as of 30 June 2017. The gearing ratios were negative because we did not have any interest-bearing bank borrowings as of the same dates.

Foreign Currency Exposure

We do not use any derivative financial instruments to hedge the risk of exchange rate changes for the six months ended 30 June 2017.

Off-balance sheet arrangements

As of 30 June 2017, we did not have any off-balance sheet arrangements.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

There were no material investments or acquisitions for the six months ended 30 June 2017.

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2017, we had 36 employees, all of whom were based in Quanzhou. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the People's Republic of China. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

PROSPECTS

Since its establishment, the Company has aimed at becoming a leading business in the industry to serve regional economy. The Company has operated business in good faith and actively performed its corporate social responsibility while continuously improving its corporate governance, risk management and internal control systems, as well as business and financial management internally. Benefited from the Listing, the Company has further leveraged 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.

On 25 April 2017, the government of Quanzhou promulgated the *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies*, which expressly recognizes micro-credit companies as financial enterprises and expands the scope of permitted business activities of micro-credit companies i.e. micro-credit companies in good standing, with compliant operation and found qualified by assessment may engage in external investment and bill discounting upon approval. The document also loosens the geographical restriction on micro-credit companies' business activities. This policy further highlights the advantages brought by Quanzhou's financial reform and has provided local micro-credit companies with a more favorable policy environment. The Company will continue to make active efforts to apply for expansion of the scope of its business activities and expansion of the geographical areas where it can gradually carry out investment business, enrich its credit products, and expand its customer base.

In terms of product marketing, we still target SMEs, microenterprises and individual entrepreneurs as our core customers, with a focus on prioritized industries including fast moving consumer goods, internet and e-commerce, and municipal construction and engineering. Recently, the Company has completed the optimization and streamlining of its existing main business processes and product categories, launched standard credit products geared to meet the medium- and short-term financing needs of customers, especially individual entrepreneurs and their families, and established business units based on standard products. The Company has also launched property-backed credit products for individual customers based on their property types and credit ratings, which have been well received with a strong business growth thanks to their strong competitive advantages in the market.

In terms of marketing channels, we have further expanded our brand and service advantages by strengthening customer visits, surveys and publicity. The Company will further expand its sales network and marketing coverage. The expansion and enhancement of more marketing channels has laid a strong foundation for sustainable business growth. In addition, the Company has set up an effective channel partner management system which has both facilitated business expansion and ensured business quality and risk control.

In terms of risk management and internal control systems, the Company has accelerated its IT infrastructure construction by introducing and launching new IT systems. Additionally, the Company has strengthened cooperation with third-party credit information service providers by actively exploring big data-based means of risk control with a view to leveraging technology to support business management and risk management of financial services.

The Company will leverage the capital and brand advantages it obtains from Listing to keep introducing innovative credit products, diversifying business channels, increasing market penetration, and improving our competitive stature in order to increase our market share.

As part of our expansion strategy, we plan to explore opportunities for growth through acquisition within Fujian's financial services sector to become a leading microfinance company in Fujian province. We are seeking opportunities for investment in potential targets that will complement our product offerings and enable us to further expand our market.

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 expenses in connection with the global offering), which were applied in the manners as set out in the prospectus of the Company dated 19 September 2016 during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and protect the interests of its shareholders in an open manner. The Board and the management of the Company has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to The Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange and reviewed its corporate governance practice from time to time. During the six months ended 30 June 2017, the Company has fully complied with the Code Provisions.

UPDATES ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Director and supervisors since the date of the Board meeting approving the annual report 2016 up to the date of the Board meeting approving this announcement is set out below:

- Ms. Liu Aiqin was re-designated by the Board as an executive Director on 25 August 2017.
- Mr. Wang Shijie resigned as supervisor on 22 August 2017.
- Mr. Li Jiancheng resigned as supervisor on 22 August 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for carrying out securities transactions of the Company by the Directors and supervisors. After specific enquiry with all Directors and supervisors, they have confirmed fully compliance with the relevant standards stipulated in the Model Code during the Reporting Period.

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

The Company has not purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2017.

INTERIM DIVIDEND

No dividend will be paid for the six months ended 30 June 2017 (2016: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant event occurred after the end of the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company 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. This Interim Results has been reviewed by the audit committee of the Board and the Company's auditor, Ernst & Young.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Interim Results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qzhuixin.net). The interim report for the six months ended 30 June 2017 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

Hong Kong, 25 August 2017

As at the date of this announcement, the executive Directors of the Company are Mr. ZHOU Yongwei, Mr. WU Zhirui, Mr. YAN Zhijiang and Ms. LIU Aiqin; the non-executive Directors are Mr. JIANG Haiying and Mr. ZHU Jinsong; and the independent non-executive Directors are Mr. SUN Leland Li Hsun, Mr. ZHANG Lihe and Mr. LIN Jianguo.

* *For identification purposes only*