汇鑫小额贷款
HUIXIN MICRO-CREDIT

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)

2017 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Quanzhou Huixin Micro-credit Co., Ltd.* (the "**Company**") is pleased to announce the audited annual results (the "**Annual Results**") of the Company and its subsidiary (the "**Group**", "**we**" or "**our**") for the year ended 31 December 2017 (the "**Reporting Period**") prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") promulgated by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Board and the audit committee of the Company (the "**Audit Committee**") have reviewed and confirmed the Annual Results.

ANNUAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017
(Amounts expressed in RMB unless otherwise stated)

	Notes	**2017**	2016
Interest income	*5*	**140,014,622**	143,693,086
Interest expense	*5*	**(1,077,592)**	(6,002,870)
Interest income, net		**138,937,030**	137,690,216
Net charge of impairment allowance on loans receivable		**(1,897,198)**	(7,689,440)
Operating and administrative expenses		**(20,426,757)**	(26,543,017)
Other (expenses)/income and gains, net	*6*	**(1,712,463)**	10,823,346
Share of profit of an associate		**4,965,901**	—
PROFIT BEFORE TAX	*7*	**119,866,513**	114,281,105
Income tax expense	*10*	**(28,900,055)**	(28,762,145)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**90,966,458**	85,518,960
Attributable to:			
Owners of the parent		**90,966,458**	85,518,960
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*		
Basic		**0.13**	0.16
Diluted		**0.13**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

(Amounts expressed in RMB unless otherwise stated)

	Notes	**31 December 2017**	31 December 2016
ASSETS			
Cash and cash equivalents	*13*	**12,291,149**	114,409,337
Financial assets at fair value through profit or loss	*14*	**31,000,000**	26,000,000
Loans receivable	*15*	**919,519,129**	805,852,365
Investment in an associate	*16*	**177,477,751**	—
Property and equipment	*17*	**1,375,125**	744,456
Intangible assets	*18*	**—**	255,559
Deferred tax assets	*19*	**1,446,089**	1,459,976
Other assets	*20*	**13,221,384**	12,164,423
TOTAL ASSETS		**1,156,330,627**	960,886,116
LIABILITIES			
Interest-bearing bank borrowings	*21*	**140,000,000**	—
Interest payable		**182,217**	—
Income tax payable		**13,097,652**	17,096,122
Other payables	*22*	**7,063,788**	4,769,482
TOTAL LIABILITIES		**160,343,657**	21,865,604
NET ASSETS		**995,986,970**	939,020,512
EQUITY			
Share capital	*23*	**680,000,000**	680,000,000
Reserves	*24*	**126,989,833**	116,182,836
Retained profits		**188,997,137**	142,837,676
Equity attributable to owners of the parent		**995,986,970**	939,020,512
Non-controlling interests		**—**	—
TOTAL EQUITY		**995,986,970**	939,020,512

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the parent						
		Reserves					
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total	Total equity
Balance as at 1 January 2016	500,000,000	—	25,825,758	10,938,300	92,353,522	629,117,580	629,117,580
Net profit and total comprehensive income for the year	—	—	—	—	85,518,960	85,518,960	85,518,960
H shares issued	180,000,000	69,383,972	—	—	—	249,383,972	249,383,972
Appropriation to surplus reserve	—	—	8,551,896	—	(8,551,896)	—	—
Appropriation to general reserve	—	—	—	1,482,910	(1,482,910)	—	—
Distribution to shareholders *(Note 11)*	—	—	—	—	(25,000,000)	(25,000,000)	(25,000,000)
Balance as at 31 December 2016, and 1 January 2017	680,000,000	69,383,972	34,377,654	12,421,210	142,837,676	939,020,512	939,020,512
Net profit and total comprehensive income for the year	—	—	—	—	90,966,458	90,966,458	90,966,458
Appropriation to surplus reserve	—	—	9,120,899	—	(9,120,899)	—	—
Appropriation to general reserve	—	—	—	1,686,098	(1,686,098)	—	—
Distribution to shareholders *(Note 11)*	—	—	—	—	(34,000,000)	(34,000,000)	(34,000,000)
Balance as at 31 December 2017	680,000,000	69,383,972	43,498,553	14,107,308	188,997,137	995,986,970	995,986,970

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

(Amounts expressed in RMB unless otherwise stated)

	Notes	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**119,866,513**	114,281,105
Adjustments for:			
Share of profit of an associate		**(4,965,901)**	—
Depreciation and amortisation		**844,846**	945,800
Impairment charged		**1,897,198**	7,689,440
Accreted interest on impaired loans		**(2,047,895)**	(2,206,807)
Foreign exchange loss/(gain), net	*6*	**4,350,028**	(7,416,460)
Loss/(gain) on disposal of items of property and equipment		**4,568**	(31,829)
Interest expense	*5*	**1,077,592**	6,002,870
		121,026,949	119,264,119
Increase in financial assets at fair value through profit or loss		**(5,000,000)**	(26,000,000)
Increase in loans receivable		**(113,516,067)**	(119,194,582)
Increase in other assets		**(1,056,961)**	(3,091,619)
Increase in other payables		**2,294,306**	875,299
Net cash flows from/(used in) operating activities before tax		**3,748,227**	(28,146,783)
Income tax paid		**(32,884,638)**	(26,470,774)
Net cash flows used in operating activities		**(29,136,411)**	(54,617,557)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(1,224,524)**	(274,217)
Proceeds from disposal of property and equipment		**—**	45,017
Purchase of a shareholding in an associate		**(172,511,850)**	—
Net cash flows used in investing activities		**(173,736,374)**	(229,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	260,366,400
Transaction cost paid for issue of shares		**—**	(9,943,201)
Proceeds from new bank borrowings		**140,000,000**	—
Repayment of bank borrowings		**—**	(100,000,000)
Interest paid		**(895,375)**	(6,141,412)
Dividends paid	*11*	**(34,000,000)**	(25,000,000)
Net cash flows from financing activities	*25*	**105,104,625**	119,281,787
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(97,768,160)**	64,435,030
Cash and cash equivalents at beginning of the year		**114,409,337**	42,557,847
Effect of foreign exchange rate changes, net		**(4,350,028)**	7,416,460
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**12,291,149**	114,409,337

NOTES TO FINANCIAL STATEMENTS
31 December 2017
(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP 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.

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 (the "**Stock Exchange**") and trading of its H shares commenced on 30 September 2016.

During the year, the principal activity of the Company and its subsidiary (collectively referred to as the "**Group**") was the provision of loans to small and medium enterprises ("**SMEs**"), microenterprises, and entrepreneurial individuals.

Information about a subsidiary

The particulars of the Company's subsidiary are as follows.

Name	Place of incorporation/ registration and business	Registered share capital	Percentage of ownership interest attributable to the Company *Direct*	Principal activity
Quanzhou Huixinxing Investment Co., Ltd. ("**Huixinxing**")	Quanzhou, China	10,000,000	100%	Investment advisory service

Huixinxing was a wholly-owned subsidiary of the Company which was established in October 2017. As at 31 December 2017, the paid-in capital of Huixinxing was RMB500,000.

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

3.2 Issued but not yet Effective Hong Kong Financial Reporting Standards

All HKFRSs that remain in effect which are relevant to the Group have been applied. The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these 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 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfer of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	*Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards and HKAS 28 Investments in Associates and Joint Ventures*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs*[2]

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 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that relate to the Group's current principal activities or those that may have a significant impact on the consolidated financial statements of the Group is described below.

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 Group adopted HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

(a) ***Classification and measurement***

The classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being classified and measured at amortised cost, fair value through other comprehensive income ("**FVOCI**") or fair value through profit or loss. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income.

(b) ***Impairment***

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts, if any. At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ("**ECL**") resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument.

As a result of the HKFRS 9, the recognition and measurement of impairment is intended to be more forward-looking than under HKAS 39.

Currently, most of the Group's financial instruments as of 31 December 2017 are loans receivable, cash and cash equivalents, other receivables, interest-bearing bank borrowings and other payables, and the Group does not expect the adoption of HKFRS 9 to have material impact on its financial position.

HKFRS 16, issued in May 2016, 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

As set out in note 28 to the financial statements, the total operating lease commitments of the Group in respect of leased premises as at 31 December 2017 amounted to RMB3.3 million. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right of use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amount relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

3.3 Summary of Significant Accounting Policies

An investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

Fair value measurement

The Group 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 Group. 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 Group 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 Group 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 Group 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 Group;

  (ii) has significant influence over the Group; or

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

or

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

  (i) the entity and the Group 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 Group 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 Group or an entity related to the Group;

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

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of 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 Group or to the parent of the Group.

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 Group 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 Group, 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 Group is the lessor, assets leased by the Group 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 Group 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 Group'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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group 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 Group's statement of financial position) when:

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

- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment of financial assets

The Group 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 Group 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 Group 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 Group.

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 Group'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 Group'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 expired.

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 Group's cash management.

For the purpose of the consolidated 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 Group 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 Group and when the revenue can be measured reliably, on the following basis:

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 Group 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 Group 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. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi Yuan, which is the Group's functional currency. Foreign currency transactions recorded by the Group 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 Group'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 Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and other receivables. If any such evidence exists, the Group 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 Group makes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in the respective entity's domicile.

4. SEGMENT REPORTING

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

Geographical information

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

5. INTEREST INCOME

	2017	2016
Interest income on:		
Loans receivable	**140,014,622**	143,693,086
Interest expense on:		
Bank loans		
Wholly repayable within five years	**(1,077,592)**	(6,002,870)
Interest income, net	**138,937,030**	137,690,216
Included: interest income on impaired loans	**4,617,208**	3,111,449

6 OTHER (EXPENSES)/INCOME AND GAINS, NET

	2017	2016
Foreign exchange (loss)/gain, net	**(4,350,028)**	7,416,460
Government grants *(a)*	**1,003,000**	2,691,800
Interest from bank deposits	**145,740**	390,493
Gains from financial assets at fair value through profit or loss	**1,502,706**	292,764
(Loss)/gain on disposal of property and equipment	**(4,568)**	31,829
Others	**(9,313)**	—
Total	**(1,712,463)**	10,823,346

(a) In 2017, the Company received government grants of RMB1.0 million as governmental reward funds because: the Company's H shares are listed on the Stock Exchange, and foreign investments were introduced into the Company. There were no unfulfilled conditions and other contingencies attached to such government grants.

7. PROFIT BEFORE TAX

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

	2017	2016
Depreciation and amortisation	**844,846**	945,800
Staff costs:		
Salaries, bonuses and allowances	**6,845,262**	5,743,697
Other social welfare	**951,561**	1,252,261
Net charge of impairment allowance on loans receivable	**1,897,198**	7,689,440
Leasing expense	**622,666**	598,265
Consulting fee	**4,841,382**	—
Service fee in connection with listing	**—**	9,999,477
Auditor's remuneration	**1,084,906**	825,472

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

The Company did not have chief executive at any time during the year. Directors' and supervisors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), sections 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:

	Year ended 31 December 2017			
Name	**Fees**	**Salaries, allowances and benefits in kind**	**Contributions to a defined contribution scheme**	**Total**
Executive Directors				
Zhou Yongwei	—	—	—	—
Wu Zhirui	—	**942,595**	**36,729**	**979,324**
Yan Zhijiang	—	**486,965**	**36,702**	**523,667**
Liu Aiqin[6]	—	**235,826**	**15,608**	**251,434**
Non-executive Directors				
Wang Wenbin[1]	—	—	—	—
Zhu Jinsong	—	—	—	—
Jiang Haiying	—	—	—	—
Liu Aiqin[3,6]	—	—	—	—
Independent Non-executive Directors				
Cai Yi[2]	**46,433**	—	—	**46,433**
Wang Yiming[2]	—	—	—	—
Zhang Lihe	**87,228**	—	—	**87,228**
Sun Leland Li Hsun[4]	**47,521**	—	—	**47,521**
Lin Jianguo[4]	**47,521**	—	—	**47,521**
Supervisors				
Ng Seng Chuan	—	—	—	—
Li Jiancheng[5]	—	—	—	—
Hong Lijun	**10,000**	**372,980**	**32,803**	**415,783**
Ruan Cen	**10,000**	**125,628**	**26,442**	**162,070**
Wu Lindi	**20,000**	—	—	**20,000**
Chen Jinzhu	**20,000**	—	—	**20,000**
Wang Shijie[5]	**4,500**	**97,965**	**16,374**	**118,839**
	293,203	**2,261,959**	**164,658**	**2,719,820**

1 Resigned as director in March 2017
2 Resigned as director in June 2017
3 Appointed as director in March 2017
4 Appointed as director in June 2017
5 Resigned as supervisor in August 2017
6 Re-designated as executive director in August 2017

Name	Year ended 31 December 2016 Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Zhou Yongwei	—	—	18,531	18,531
Wu Zhirui	—	817,171	50,175	867,346
Yan Zhijiang	—	485,198	50,175	535,373
Non-executive Directors				
Wang Wenbin	—	—	—	—
Zhu Jinsong	—	—	—	—
Jiang Haiying	—	—	—	—
Independent Non-executive Directors				
Cai Yi	82,911	—	—	82,911
Zhang Lihe	82,911	—	—	82,911
Wang Yiming	63,626	—	—	63,626
Supervisors				
Ng Seng Chuan	—	—	—	—
Ng Hong Hung[1]	—	—	—	—
Li Jiancheng[2]	—	—	—	—
Hong Lijun	10,000	378,456	56,024	444,480
Ruan Cen	10,000	135,437	32,149	177,586
Fang Qichao[3]	2,056	41,646	11,287	54,989
Wu Lindi	20,000	—	—	20,000
Chen Jinzhu	20,000	—	—	20,000
Wang Shijie[4]	7,944	132,286	22,393	162,623
	299,448	1,990,194	240,734	2,530,376

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 year included two directors and one supervisor (2016: two directors and one supervisor), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two highest paid employees (2016: two) who are neither a director nor a supervisor of the Group are as follows:

	2017	2016
Salaries, allowances and benefits in kind	**859,008**	709,196
Contributions to a defined contribution scheme	**66,822**	141,035
Total	**925,830**	850,231

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

	2017	2016
Nil – RMB1,000,000	**2**	2

10. INCOME TAX EXPENSE

	2017	2016
Current income tax	**28,886,168**	29,037,769
Deferred income tax *(Note 19)*	**13,887**	(275,624)
Total	**28,900,055**	28,762,145

The Group 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 Group is domiciled to the tax expense at the effective tax rate is as follows:

	2017	2016
Profit before tax	**119,866,513**	114,281,105
Tax at the applicable tax rate of 25%	**29,966,628**	28,570,275
Tax effect of income not subject to tax	**(1,241,475)**	—
Tax effect of expenses not deductible for tax purposes	**116,789**	91,380
Adjustment for prior year tax expense	**—**	100,490
Effect of non-recognised deductible loss	**58,113**	—
Total tax expense for the year at the Group's effective tax rate	**28,900,055**	28,762,145

11. DIVIDENDS

	2017	2016
Proposed and paid dividend	**34,000,000**	25,000,000

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

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

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

	2017	2016
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**90,966,458**	85,518,960
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**680,000,000**	545,000,000
Basic and diluted earnings per share	**0.13**	0.16

13. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash on hand	**1,521**	1,764
Cash at banks	**12,289,628**	114,407,573
	12,291,149	114,409,337

At the end of the Reporting Period, the cash and bank balances of the Group denominated in Hong Kong dollar ("**HKD**") amounted to RMB3,986,934 (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

	31 December 2017	31 December 2016
Wealth management products	**31,000,000**	26,000,000

In 2017 and 2016, in order to deploy surplus cash more effectively, the Group purchased from time to time wealth management products, which are held for a relatively short period of time, offered by licensed commercial banks in the PRC.

15. LOANS RECEIVABLE

	31 December 2017	31 December 2016
Loans receivable	**940,487,198**	828,080,644
Less: Allowance for impairment		
— Individually assessed	**(7,139,559)**	(7,145,684)
— Collectively assessed	**(13,828,510)**	(15,082,595)
	919,519,129	805,852,365

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

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

	31 December 2017	31 December 2016
Performing loans receivable (i)	**919,863,340**	801,263,056
Impaired loans receivable (ii)	**20,623,858**	26,817,588
	940,487,198	828,080,644

(i) Performing loans are collectively assessed for impairment.

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

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 31 December 2017, 50.3% (as at 31 December 2016: 57.7%) of loans receivable were guaranteed loans, and 48.9% (as at 31 December 2016: 36.1%) of loans receivable were collateral-backed loans.

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

	Individually assessed	**Collectively assessed**	**Total**
As at 1 January 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 for the year	3,151,283	(1,254,085)	1,897,198
Write off	(1,109,513)	—	(1,109,513)
Accreted interest on impaired loans	(2,047,895)	—	(2,047,895)
As at 31 December 2017	**7,139,559**	**13,828,510**	**20,968,069**

16. INVESTMENT IN AN ASSOCIATE

	31 December 2017	31 December 2016
Share of net assets	**162,119,404**	—
Goodwill on acquisition	**15,358,347**	—
	177,477,751	—

Particulars of the associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activity**
Jinjiang Baiying Microfinance Co., Ltd. ("**Baiying**")	Ordinary shares	Jinjiang, China	47.9%	Provision of micro-credit

The Group's shareholding in the associate all comprise equity shares held by the Company.

In order to increase the market share and consolidate its leading position in Fujian province, the Company acquired Baiying on 30 September 2017. Baiying is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of the associate reconciled to the carrying amount in the consolidated financial statements:

	31 December 2017
Total assets	**388,818,904**
Total liabilities	**(50,365,034)**
Net assets	**(338,453,870)**
Net assets, excluding goodwill	**(338,453,870)**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	**47.9%**
Group's share of net assets of the associate, excluding goodwill	**162,119,404**
Goodwill on acquisition	**15,358,347**
Carrying amount of the investment	**177,477,751**

	For the period from 30 September 2017 to 31 December 2017
Interest income	**10,271,602**
Net profit and total comprehensive income for the period	**10,367,226**

17. 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		793,787	366,337	1,160,124
Disposals	(90,488)	(880)	—	(91,368)
At 31 December 2017	902,803	1,252,421	2,124,058	4,279,282
Accumulated depreciation:				
At 1 January 2016	796,505	310,006	1,112,959	2,219,470
Depreciation charge for the year	91,805	54,306	351,070	497,181
Disposals	(250,581)	—	—	(250,581)
At 31 December 2016	637,729	364,312	1,464,029	2,466,070
Depreciation charge for the year	97,033	134,162	293,692	524,887
Disposals	(85,964)	(836)	—	(86,800)
At 31 December 2017	648,798	497,638	1,757,721	2,904,157
Net carrying amount:				
At 31 December 2017	254,005	754,783	366,337	1,375,125
At 31 December 2016	355,562	95,202	293,692	744,456

18. INTANGIBLE ASSETS

	Software
Cost:	
At 1 January 2016 and at 1 January 2017	890,000
Additions	64,400
At 31 December 2017	954,400
Accumulated amortisation:	
At 1 January 2016	185,822
Charge for the year	448,619
At 31 December 2016	634,441
Charge for the year	319,959
At 31 December 2017	954,400
Net carrying amount:	
At 31 December 2017	—
At 31 December 2016	255,559

19. 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)*	(13,887)
At 31 December 2017	1,446,089

The Group has a tax loss arising in the subsidiary of RMB232,452 in 2017 that will expire in five years offsetting against future taxable profits.

No deferred asset has not been recognised in respect of the tax loss as it has arisen in the subsidiary that has been loss-making and it is not considered probable that taxable profit will be available against which the tax loss can be utilised.

20. OTHER ASSETS

	31 December 2017	31 December 2016
Repossessed assets *(a)*	**8,060,000**	8,060,000
Deferred and prepaid expenses	**4,120,847**	2,366,095
Other receivables	**1,040,537**	1,738,328
	13,221,384	12,164,423

(a) The repossessed assets are properties located at Quanzhou city, 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.

21. INTEREST-BEARING BANK BORROWINGS

	31 December 2017	31 December 2016
Guaranteed bank loans repayable:		
Within one year	**140,000,000**	—

As at 31 December 2017, the annual interest rate of the loans above was 5.655%.

The interest-bearing bank borrowings of RMB140 million as at 31 December 2017 were guaranteed by one of the Company's shareholders, Fujian Septwolves Group Co., Ltd.

22. OTHER PAYABLES

	31 December 2017	31 December 2016
Payrolls payable	**2,189,887**	1,869,573
Value-added tax, and surcharges payable	**2,260,228**	1,327,054
Audit fee	**1,084,906**	875,000
Guarantee fee	**—**	593,725
Deposits	**1,400,000**	—
Others	**128,767**	104,130
	7,063,788	4,769,482

23. SHARE CAPITAL

	31 December 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 31 December 2017	680,000,000	680,000,000

24. RESERVES

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

Capital reserve

Capital reserve comprises share premium, which represents the difference between the par value of the shares of the Group 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, 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 and its subsidiary may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

General reserve

In accordance with the relevant regulations, the Company is required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets before 30 June 2017. Such reserve is not available for profit distribution or transfer to capital. As at 31 December 2017, the balance of the general reserve of the Company was RMB14.1 million, no lower than 1.5% of its risk assets.

Distributable profit

Pursuant to the resolution of the Board meeting passed on 15 March 2018, a final dividend of approximately RMB34.0 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of the statutory surplus reserve and general reserve and is subject to approval by shareholders at the forthcoming annual general meeting.

25. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	**Amount due to shareholders**
At 1 January 2017	—	—
Changes from financing cash flows	139,104,625	(34,000,000)
2016 final dividends payable	—	34,000,000
Interest expense	1,077,592	—
At 31 December 2017	140,182,217	—

26. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	2017	2016
Salaries and other short-term employee benefits	**2,708,811**	2,093,802

Further details of Non-executive Directors' and supervisors' emoluments are included in note 8 to the consolidated financial statements.

(b) Loan guarantee

The interest-bearing bank borrowings of RMB140 million as at 31 December 2017 were guaranteed by one of the shareholders of the Company, Fujian Septwolves Group Co., Ltd.

27. CONTINGENT LIABILITIES

As at 31 December 2017, there were no significant contingent liabilities.

28. OPERATING LEASES

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

	31 December 2017	31 December 2016
Within 1 year (inclusive)	**1,490,591**	649,074
1 to 2 years (inclusive)	**999,041**	681,528
2 to 3 years (inclusive)	**792,963**	201,579
	3,282,595	1,532,181

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments at the end of the Reporting Period:

	31 December 2017	31 December 2016
Contracted, but not provided for:		
Software	**820,408**	—

30. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December 2017	31 December 2016
Financial assets		
Financial assets at fair value through profit or loss	**31,000,000**	26,000,000
Loans and receivables		
— Cash and cash equivalents	**12,291,149**	114,409,337
— Loans receivable	**919,519,129**	805,852,365
— Other receivables	**1,040,537**	1,738,328
	963,850,815	948,000,030

	31 December 2017	31 December 2016
Financial liabilities		
Other financial liabilities		
— Interest-bearing bank borrowings	**140,000,000**	—
— Interest payable	**182,217**	—
— Other payables	**2,613,673**	1,572,855
	142,795,890	1,572,855

31. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments include credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk. The Group has no significant exposures to other financial risks except as disclosed below. The Board 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 Group manages the loans granted to SMEs, microenterprises and entrepreneurial individuals with the same policies and procedures.

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

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

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

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

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

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

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

The Group 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 the 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group does not occupy repossessed properties for business use.

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

	31 December 2017				
	Not overdue	**Overdue within 3 months**	**Overdue more than 3 to 12 months**	**Overdue more than 1 year**	**Total**
Guaranteed loans	**—**	**—**	**1,698,075**	**18,925,783**	**20,623,858**
Total	**—**	**—**	**1,698,075**	**18,925,783**	**20,623,858**

	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 Group closely monitors the credit quality of the loans, and uses measures such as disposal of impaired loans to mitigate overall credit risk exposure.

The Group 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 Group's credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
31 December 2017	**919,863,340**	**—**	**20,623,858**	**940,487,198**
31 December 2016	801,263,056	—	26,817,588	828,080,644

As at 31 December 2017, loans neither past due nor impaired were related to various diversified customers with no recent default history.

Analysis of risk concentration

Since the loans are granted to third parties whose creditworthiness has been assessed by the Group, no collateral is required in most cases. The Group 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 Group is exposed to the credit risk of geographic concentration. However, although its customers are concentrated in Quanzhou city, the Group 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 Group 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 Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity.

	2017	
Changes in exchange rate	**Impact on profit before tax**	**Impact on equity**
+ 5%	**199,347**	**199,347**
– 5%	**(199,347)**	**(199,347)**

	2016	
Changes in exchange rate	Impact on profit before tax	Impact on equity
+ 5%	4,274,976	4,274,976
– 5%	(4,274,976)	(4,274,976)

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

(c) Interest rate risk

The Group'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 Group'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 Group does not use derivative financial instruments to manage its interest rate risk.

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

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

	31 December 2017					
	Overdue	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Floating rate**	**Total**
Financial assets：						
Cash at banks	**—**	**—**	**—**	**—**	**12,289,628**	**12,289,628**
Loans receivable	**13,719,653**	**286,899,957**	**435,183,994**	**183,715,525**	**—**	**919,519,129**
Subtotal	**13,719,653**	**286,899,957**	**435,183,994**	**183,715,525**	**12,289,628**	**931,808,757**
Financial liabilities:						
Interest-bearing bank borrowing	**—**	**—**	**—**	**—**	**140,000,000**	**140,000,000**
Subtotal	**—**	**—**	**—**	**—**	**140,000,000**	**140,000,000**
Exposure to interest sensitivity	**13,719,653**	**286,899,957**	**435,183,994**	**183,715,525**	**(127,710,372)**	**791,808,757**

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

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 Group's profit before tax (through the impact on floating rate instruments). The Group's equity is not affected, other than the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before tax.

Changes in variables	**2017 Impact on profit before tax**	2016 Impact on profit before tax
+ 50 basis points	**(638,552)**	572,038
– 50 basis points	**638,552**	(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 Group is exposed to equity price risk arising from financial assets at fair value through profit or loss (Note 14). As at 31 December 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 Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group 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 Group based on undiscounted cash flows:

	31 December 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	**12,291,149**	**—**	**—**	**—**	**—**	**12,291,149**
Financial assets at fair value through profit or loss	**31,000,000**	**—**	**—**	**—**	**—**	**31,000,000**
Loans receivable	**—**	**20,623,858**	**326,128,952**	**480,106,516**	**220,858,735**	**1,047,718,061**
Other assets	**—**	**—**	**888,282**	**—**	**152,255**	**1,040,537**
Subtotal	**43,291,149**	**20,623,858**	**327,017,234**	**480,106,516**	**221,010,990**	**1,092,049,747**
Financial liabilities:						
Interest-bearing bank borrowings	**—**	**—**	**1,979,250**	**144,860,158**	**—**	**146,839,408**
Other payables	**—**	**—**	**1,213,673**	**1,400,000**	**—**	**2,613,673**
Subtotal	**—**	**—**	**3,192,923**	**146,260,158**	**—**	**149,453,081**
Net	**43,291,149**	**20,623,858**	**323,824,311**	**333,846,358**	**221,010,990**	**942,596,666**

	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 Group's capital management are to safeguard the Group'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 Group 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 Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2017.

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

	31 December 2017	31 December 2016
Interest-bearing bank borrowings	**140,000,000**	—
Less: cash and cash equivalents	**12,291,149**	114,409,337
Net debt	**127,708,851**	(114,409,337)
Share capital	**680,000,000**	680,000,000
Reserves	**126,989,833**	116,182,836
Retained profits	**188,997,137**	142,837,676
Capital	**995,986,970**	939,020,512
Capital and net debt	**1,123,695,821**	824,611,175
Gearing ratio	**11.4%**	–13.9%

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	31 December 2017					
	On demand	**Overdue**	**Less than 3 months**	**3 to less than 12 months**	**After 12 months**	**Total**
Assets:						
Cash and cash equivalents	**12,291,149**	**—**	**—**	**—**	**—**	**12,291,149**
Financial assets at fair value through profit or loss	**31,000,000**	**—**	**—**	**—**	**—**	**31,000,000**
Loans receivable	**—**	**13,719,653**	**286,899,957**	**435,183,994**	**183,715,525**	**919,519,129**
Property and equipment	**—**	**—**	**—**	**—**	**1,375,125**	**1,375,125**
Deferred tax assets	**—**	**—**	**—**	**—**	**1,446,089**	**1,446,089**
Other assets	**—**	**—**	**1,406,011**	**708,524**	**11,106,849**	**13,221,384**
Subtotal	**43,291,149**	**13,719,653**	**288,305,968**	**435,892,518**	**197,643,588**	**978,852,876**
Liabilities:						
Interest-bearing bank borrowings	**—**	**—**	**—**	**140,000,000**	**—**	**140,000,000**
Interest payable	**—**	**—**	**—**	**182,217**	**—**	**182,217**
Income tax payable	**—**	**—**	**13,097,652**	**—**	**—**	**13,097,652**
Other payables	**—**	**—**	**7,063,788**	**—**	**—**	**7,063,788**
Subtotal	**—**	**—**	**20,161,440**	**140,182,217**	**—**	**160,343,657**
Net	**43,291,149**	**13,719,653**	**268,144,528**	**295,710,301**	**197,643,588**	**818,509,219**

	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

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

The Group's financial liabilities mainly include interest-bearing bank borrowings.

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

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurements of financial instruments. The finance director reports directly to the general manager and the audit committee. At each reporting date, the Group 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 Group's financial instruments:

Assets measured at fair value:

As at 31 December 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	**31,000,000**	**—**	**—**	**31,000,000**

As at 31 December 2016

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

In 2017, the Group had no transfer of financial assets measured at fair value between Level 1 and Level 2.

34. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolution of the Board meeting passed on 11 December 2017, the Company proposed to apply for a non-public issuance of corporate bonds of no more than RMB500 million (inclusive) on the Shenzhen Stock Exchange, with a term of not exceeding 3 years (inclusive). The Company submitted its application to the Shenzhen Stock Exchange in February 2018.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the Reporting Period is as follows:

	31 December 2017	31 December 2016
ASSETS		
Cash and cash equivalents	**10,513,062**	114,409,337
Financial assets at fair value through profit or loss	**31,000,000**	26,000,000
Loans receivable	**919,519,129**	805,852,365
Investment in an associate	**177,477,751**	—
Investment in a subsidiary	**500,000**	—
Property and equipment	**1,375,125**	744,456
Intangible assets	**—**	255,559
Deferred tax assets	**1,446,089**	1,459,976
Other assets	**13,180,785**	12,164,423
TOTAL ASSETS	**1,155,011,941**	960,886,116
LIABILITIES		
Interest-bearing bank borrowings	**140,000,000**	—
Interest payable	**182,217**	—
Income tax payable	**13,097,652**	17,096,122
Other payables	**5,502,569**	4,769,482
TOTAL LIABILITIES	**158,782,438**	21,865,604
NET ASSETS	**996,229,503**	939,020,512
EQUITY		
Share capital	**680,000,000**	680,000,000
Reserves	**126,989,833**	116,182,836
Retained profits	**189,239,670**	142,837,676
TOTAL EQUITY	**996,229,503**	939,020,512

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	**Surplus reserve**	**General reserve**	**Total**
Balance as at 1 January 2016	—	25,825,758	10,938,300	36,764,058
H shares issued	69,383,972	—	—	69,383,972
Appropriation to surplus reserve	—	8,551,896	—	8,551,896
Appropriation to general reserve	—	—	1,482,910	1,482,910
Balance as at 31 December 2016, and1 January 2017	69,383,972	34,377,654	12,421,210	116,182,836
Appropriation to surplus reserve	—	9,120,899	—	9,120,899
Appropriation to general reserve	—	—	1,686,098	1,686,098
Balance as at 31 December 2017	69,383,972	43,498,553	14,107,308	126,989,833

36. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorised for issue by the Board on 15 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

Competition within the microfinance industry in Fujian province and Quanzhou city is increasingly intense. According to the statistics of Fujian Provincial Economic and Information Technology Commission (福建省經濟和信息化委員會) (the "**Commission**"), there were 120 registered microfinance companies in Fujian province as of 31 December 2017, of which 32 were in Quanzhou city. The total registered capital of microfinance companies in Fujian province amounted to RMB27.6 billion as of 31 December 2017, of which RMB9.1 billion was the total registered capital of microfinance companies in Quanzhou city, according to the statistics of the Commission. As of 31 December 2017, the average principal amount of outstanding loans per microfinance company amounted to RMB236 million in Fujian province and RMB266 million in Quanzhou city.

Business Overview

Our loan business

Based in Quanzhou city, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2017, according to the statistics of the Commission. We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs. We generate substantially all of our income by charging interest on the loans extended to our customers. We provide two types of loans, namely, revolving loans and term loans to our customers. For the years ended 31 December 2016 and 2017, we served 341 and 570 customers, respectively. We granted 1,439 loans with an aggregate amount of RMB2,757 million and 1,848 loans with an aggregate amount of RMB3,239 million for the years ended 31 December 2016 and 2017, respectively. As of 31 December 2016 and 2017, we had 202 and 424 customers, respectively. We had 318 loans with principal amount of outstanding loans of RMB817.6 million as of 31 December 2016 and 554 loans with principal amount of outstanding loans of RMB922.9 million as of 31 December 2017.

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

	As of 31 December	
	2017	2016
Share capital *(RMB in millions)*	**680.0**	680.0
Net capital *(RMB in millions)*[(1)]	**996.0**	939.0
Principal amount of outstanding loans *(RMB in millions)*	**922.9**	817.6
Loan/Net capital ratio[(2)]	**0.93 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 years indicated:

	Year ended 31 December	
	2017	2016
Average balance of outstanding performing loans[(1)] *(RMB'000)*	**811,491**	727,371
Average effective interest rate per annum[(2)]	**16.43%**	19.33%

Notes:

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

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

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

Loan portfolio

The principal amount of our outstanding loans increased steadily from RMB817.6 million as of 31 December 2016 to RMB922.9 million as of 31 December 2017, primarily due to the expansion of our loan business.

The following table sets forth the balance of our loans by industry as of the dates indicated:

	As of 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Manufacturing	**355,800**	**38.5**	409,728	50.1
Wholesale and retail	**299,027**	**32.4**	279,030	34.1
Financial	**33,000**	**3.6**	24,860	3.0
Construction	**77,281**	**8.4**	60,240	7.4
Public facilities and commercial service	**113,536**	**12.3**	34,100	4.2
Agriculture	**10,910**	**1.2**	—	—
Transportation, warehousing and post	**9,100**	**1.0**	—	—
Mining	**1,200**	**0.1**	—	—
Others	**22,998**	**2.5**	9,620	1.2
Total	**922,852**	**100.0**	817,578	100.0

Revolving loans and term loans

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

	As of 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Revolving loans	**483,237**	**52.4**	387,588	47.4
Term loans	**439,615**	**47.6**	429,989	52.6
Total	**922,852**	**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 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Credit loans	**7,000**	**0.8**	50,000	6.1
Guaranteed loans	**462,304**	**50.1**	471,277	57.6
Collateral-backed loans				
— with guarantee	**333,579**	**36.1**	266,400	32.6
— without guarantee	**119,969**	**13.0**	29,900	3.7
Total	**922,852**	**100.0**	817,577	100.0

The following table sets forth the interest rates of our loans by security as of the dates indicated:

	As of 31 December			
	2017		2016	
	% (lowest)	***% (highest)***	*% (lowest)*	*% (highest)*
Credit loans	**18.0**	**18.0**	18.0	18.0
Guaranteed loans	**8.4**	**24.0**	8.4	24.0
Collateral-backed loans				
—with guarantee	**15.6**	**24.0**	17.4	24.0
—without guarantee	**11.9**	**23.4**	18.0	18.0

Collateral-backed loans

The collateral obtained by our Group under our collateral-backed loans mainly consists of land use rights, building ownership rights, equipment ownership rights and shares. The following table sets forth the types of collaterals under our collateral-backed loans as of the dates indicated:

	As of 31 December	
	2017	2016
	RMB'000	*RMB'000*
Land use rights	**—**	60,000
Building ownership rights	**210,048**	36,700
Building and land use rights	**15,000**	4,600
Shares	**218,500**	195,000
Equipment and share pledge	**10,000**	—

Maturity profile of loan portfolio

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

	As of 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Past due	**20,624**	**2.2**[(1)]	25,119	3.1[(1)]
Due within three months	**343,670**	**37.3**	185,000	22.6
Due between three months and one year	**437,496**	**47.4**	604,458	73.9
Due between one year and three years	**113,930**	**12.3**	3,000	0.4
Due over three years	**7,132**	**0.8**	—	—
Total	**922,852**	**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 RMB20.6 million as of 31 December 2016 and 2017, respectively, accounting for 3.1% and 2.2% of the total principal amount of our outstanding loans as of the same dates.

We had 18 past due loans with an aggregate amount of RMB25.1 million as of 31 December 2016. As of 31 December 2017, RMB5.1 million of the principal amount of these past due loans as of 31 December 2016 had been settled and RMB1.1 million of the principal amount of these past due loans as of 31 December 2016 had been written off. As of 31 December 2017, the remaining portion of principal amount of past due loans as of 31 December 2016 was RMB18.9 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2016 was RMB6.6 million.

As of 31 December 2017, we had 14 past due loans with an aggregate amount of RMB20.6 million, and our allowance for impairment losses for these past due loans as of the same date was RMB7.1 million.

The principal amount of our past due loans decreased from RMB25.1 million as of 31 December 2016 to RMB20.6 million as of 31 December 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 31 December					
	2017			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	**218**	**75,584**	**8.2**	33	19,870	2.4
Over RMB1.0 million to RMB3.0 million (inclusive)	**78**	**146,285**	**15.8**	38	78,187	9.6
Over RMB3.0 million to RMB5.0 million (inclusive)	**111**	**490,700**	**53.2**	118	537,200	65.7
Over RMB5.0 million to RMB10.0 million (inclusive)	**9**	**64,583**	**7.0**	5	37,370	4.6
Over RMB10.0 million	**8**	**145,700**	**15.8**	8	144,950	17.7
Total	**424**	**922,852**	**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" and "loss" according to their levels of risk. We consider our "substandard", "doubtful" and "loss" loans as impaired loans. The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Normal	**866,865**	**93.9**	694,110	84.9
Special-mention	**35,363**	**3.8**	96,650	11.8
Substandard	**18,668**	**2.0**	24,578	3.0
Doubtful	**1,630**	**0.2**	1,739	0.2
Loss	**326**	**0.1**	500	0.1
Total	**922,852**	**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 year ended 31 December	
	2017	2016
	(RMB'000, except for percentage)	
Impaired loan ratio(1)	**2.2%**	3.2%
Balance of impaired loans receivable	**20,624**	26,818
Balance of gross loans receivable	**940,487**	828,081
Allowance coverage ratio(2)	**101.67%**	82.88%
Allowance for impairment losses(3)	**20,968**	22,228
Balance of impaired loans receivable	**20,624**	26,818
Provision for impairment losses ratio(4)	**2.2%**	2.7%
Loss ratio(5)	**1.4%**	5.4%
Net charge of impairment allowance on loans receivable	**1,897**	7,689
Interest income	**140,015**	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 RMB20.6 million as of 31 December 2017. Our impaired loan ratio decreased from 3.2% as of 31 December 2016 to 2.2% as of 31 December 2017. Such decreases were primarily due to (i) the collection of RMB5.1 million of the principle amount of the past due loans and write-off of one past due loan; and (ii) the increase of our loan size from RMB828.1 million to RMB940.5 million.

Compliance with key regulatory requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the year ended 31 December 2017:

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.	Our Group complied with such requirement for the year ended 31 December 2017.
The debt to net capital ratio of a microfinance company in Quanzhou city is capped at 100%.	Our Group complied with such requirement for the year ended 31 December 2017.
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).	Our Group complied with such applicable requirement for the year ended 31 December 2017.
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 provides 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.	

Key requirements	**Compliance status**
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	Our Group complied with such requirement for the year ended 31 December 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.	Our Group complied with such requirement for the year ended 31 December 2017.
Upon the listing of the H shares on the main board (the "**Main Board**") of 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**").	Our Group complied with the Amended 70% Requirement for the year ended 31 December 2017.

Financial Overview

Turnover

Our turnover consists of net interest income, net foreign exchange gain, interest from bank deposits and gains from financial assets at fair value through profit or loss. The following table sets forth the details of our turnover for the years indicated:

	Year ended			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Interest income, net	**138,937**	**102.0**	137,690	94.4
Foreign exchange (loss)/gain, net	**(4,350)**	**(3.2)**	7,416	5.1
Interest from bank deposits	**146**	**0.1**	390	0.3
Gains from financial assets at fair value through profit or loss	**1,503**	**1.1**	293	0.2
Total	**136,236**	**100.0**	145,789	100.0

Interest income, net

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

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest income on:		
Loans receivable[1]	**140,015**	143,693
Interest expense on:		
Bank loans wholly repayable within five years	**(1,078)**	(6,003)
Interest income, net	**138,937**	137,690

Note:

(1) Interest income on loans receivable includes interest income on impaired loans, which amounted to RMB3.1 million and RMB4.6 million for the years ended 31 December 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 rate that we charge on our performing loans.

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

	Year ended 31 December	
	2017	2016
Average balance of outstanding performing loans[1] *(RMB'000)*	**811,491**	727,371
Average effective interest rate per annum[2]	**16.43%**	19.33%

Notes:

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

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

Our loan business is primarily funded by our share capital as well as our bank borrowings. The average balance of our outstanding performing loans generally demonstrates a trend consistent with our capital base during the Reporting Period. Our interest income decreased by 2.56% from RMB143.7 million for the year ended 31 December 2016 to RMB140.0 million for the year ended 31 December 2017. The average balance of our outstanding performing loans increased by 11.56% from RMB727.4 million in 2016 to RMB811.5 million in 2017. Such increases were primarily attributable to the steady expansion of our loan business. For the years ended 31 December 2016 and 2017, our average effective interest rate per annum on our performing loans decreased from 19.33% to 16.43%. Such decrease was primarily due to the increase of the proportion of collateral-backed loans with low interest.

Interest expense

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

	Year ended 31 December	
	2017	2016
Average balance of bank borrowings[(1)] *(RMB'000)*	**19,056**	115,752
Effective interest rate per annum[(2)]	**5.66%**	5.19%

Notes:

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

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

Net charge of impairment allowance on loans receivable

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

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

Our net charge of impairment allowance on loans receivable for the years ended 31 December 2016 and 2017 were RMB7.7 million and RMB1.9 million, respectively.

Operating and administrative expenses

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Business tax and surcharges	**1,138**	2,953
Staff costs:		
Salaries, bonuses and allowances	**6,845**	5,744
Other social welfare	**952**	1,252
Service fees	**5,926**	10,840
Depreciation and amortization	**845**	946
Leasing expenses	**623**	598
Others	**4,098**	4,210
Total operating and administrative expenses	**20,427**	26,543

Our tax and surcharges primarily comprise business tax, city maintenance and construction fees and additional education fees, accounting for 11.1% and 5.6% of our operating and administrative expenses for the years ended 31 December 2016 and 2017, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 26.4% and 38.2% of our operating and administrative expenses for the years ended 31 December 2016 and 2017, respectively. Service fees consist of auditor's remuneration and other consulting fees.

Our operating and administrative expenses for the years ended 31 December 2016 and 2017 were RMB26.5 million and RMB20.4 million, respectively. Such decrease was primarily due to (i) the decrease of tax and surcharges of RMB1.8 million as a result of the imposition of VAT in lieu of business tax policy; and (ii) the decrease of service fees of RMB4.9 million.

Other (expenses)/income and gains, net

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Foreign exchange (loss)/gain, net	**(4,350)**	7,416
Government grants	**1,003**	2,692
Interest from bank deposits	**146**	390
Others	**1,489**	325
Total	**(1,712)**	10,823

Income tax expense

During the years ended 31 December 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 years ended 31 December 2016 and 2017 was RMB28.8 million and RMB28.9 million, respectively, and our effective tax rate for the same years was 25.2% and 24.1%, 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 PRC.

Net profit and total comprehensive income for the year

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB85.5 million and RMB91.0 million for the years ended 31 December 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 estimated expenses in connection with the global offering). Due to relevant requirements stipulated by the State Administration of Foreign Exchange of the PRC ("**SAFE**"), the expenses payable by the Company in connection with the global offering were not fully paid out of the proceeds from the global offering. Such expenses were settled by the Company using its own funds. As a result, the actual bank balance of the proceeds from the global offering amounted to approximately HK$292.3 million. For details, please refer to the announcement of change in use of proceeds of the Company dated 29 August 2017.

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

Cash flows

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(29,136)**	(54,618)
Net cash flows used in investing activities	**(173,736)**	(229)
Net cash flows from financing activities	**105,105**	119,282
Net (decrease)/increase in cash and cash equivalents	**(97,768)**	64,435
Cash and cash equivalents at beginning of year	**114,409**	42,558
Cash and cash equivalents at end of year	**12,291**	114,409

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, 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 year ended 31 December 2017 was RMB29.1 million. Net cash flows generated from operating activities before working capital adjustment was RMB121.0 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in loans receivable of RMB113.5 million as a growth of our Group' loan business; (ii) an increase in financial assets at fair value through profit or loss of RMB5.0 million; and (iii) an increase in other assets of RMB1.1 million. Such cash outflows were partly offset by an increase in other payables of RMB2.3 million mainly attributable to the increase in payrolls payable.

Net cash flows used in investing activities

Our cash used in investing activities is primarily attributable to our purchase of a shareholding in an associate.

For the year ended 31 December 2017, our net cash flows used in investing activities was RMB173.7 million, which was mainly due to (i) our purchase of furniture for our office; (ii) our prepayment from the acquisition of a new software to enhance our business process management; and (iii) purchase of 47.9% of the equity interest of Jinjiang Baiying Microfinance Co., Ltd.* (晉江市百應小額貸款有限責任公司).

Net cash flows from financing activities

For the year ended 31 December 2017, our net cash flows from financing activities was RMB105.1 million. Our net cash flows from financing activities consisted of: (i) bank borrowings of RMB140.0 million; and (ii) payment of dividend of RMB34.0 million.

Cash management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2016 and 2017, the total cash and cash equivalents amounted to RMB114.4 million and RMB12.3 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected items of the statements of financial position

	As of 31 December	
	2017	2016
	RMB'000	*RMB'000*
Assets		
Cash and cash equivalents	**12,291**	114,409
Financial assets at fair value through profit or loss	**31,000**	26,000
Loans receivable	**919,519**	805,852
Investment in an associate	**177,478**	—
Property and equipment	**1,375**	744
Intangible assets	**—**	256
Deferred tax assets	**1,446**	1,460
Other assets	**13,221**	12,165
Total assets	**1,156,330**	960,886
Liabilities		
Interest-bearing bank borrowings	**140,000**	—
Interest payable	**182**	—
Income tax payable	**13,098**	17,096
Other payables	**7,064**	4,769
Total liabilities	**160,344**	21,865
Net assets	**995,987**	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 2017, we had cash and cash equivalents of RMB114.4 million and RMB12.3 million, respectively. The decrease in our cash and cash equivalents from RMB114.4 million as of 31 December 2016 to RMB12.3 million as of 31 December 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 31 December	
	2017	2016
	RMB'000	*RMB'000*
Performing loans receivable[(1)]	**919,863**	801,263
Impaired loans receivable[(2)]	**20,624**	26,818
Gross loans receivable	**940,487**	828,081
Less: Allowance for impairment losses		
— individual assessed	**(7,140)**	(7,146)
— collective assessed	**(13,828)**	(15,083)
Total allowance for impairment losses	**(20,968)**	(22,229)
Net loans receivable	**919,519**	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 RMB919.5 million as of 31 December 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 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Past due	**20,624**	**2.2**	25,120	3.0
Due within three months	**361,305**	**38.4**	195,503	23.6
Due between three months and six months	**337,771**	**35.9**	464,288	56.1
Due between six months and one year	**99,725**	**10.6**	140,170	16.9
Due over one year	**121,062**	**12.9**	3,000	0.4
Total	**940,487**	**100.0**	828,081	100.0

The majority of our loans during the years ended 31 December 2016 and 2017 were guaranteed loans, which accounted for 57.7% and 50.3% of our loans receivable as of 31 December 2016 and 2017, respectively. The following table sets forth the balance of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Credit loans	**7,113**	**0.8**	51,593	6.2
Guaranteed loans	**473,432**	**50.3**	477,475	57.7
Collateral-backed loans				
— with guarantee	**339,221**	**36.1**	268,936	32.5
— without guarantee	**120,721**	**12.8**	30,077	3.6
Total	**940,487**	**100.0**	828,081	100.0

Other assets

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

	As of 31 December	
	2017	2016
	RMB'000	*RMB'000*
Repossessed assets	**8,060**	8,060
Deferred and prepaid expenses	**4,121**	2,366
Other receivables	**1,041**	1,738
Total other assets	**13,221**	12,164

Income tax payable

Our income tax payable, which represents our current income tax liabilities, was RMB17.1 million and RMB13.1 million, respectively, as of 31 December 2016 and 2017.

Other payables

Our other payables mainly include business tax and surcharges payable, payrolls payable, auditor's remuneration and others. As of 31 December 2016 and 2017, our other payables were RMB4.8 million and RMB7.1 million, respectively.

Indebtedness

Grant of credit limit

As of 31 December 2017, the credit limits granted by principal banks to our Group were as below:

Name of the Bank	Duration	Credit limit	Utilized	Date of utilization	Remaining
		RMB'000	*RMB'000*		*RMB'000*
Bank of the Orient Xiamen Branch (美國建東銀行廈門分行)	26 December 2017– 25 December 2018	80,000	40,000	26 December 2017	40,000
Xiamen Bank Co., Ltd. (廈門銀行股份有限公司)	16 October 2017– 16 October 2018	200,000	50,000	24 October 2017	100,000
			50,000	26 October 2017	
Total		280,000	140,000		140,000

Interest-bearing bank borrowings

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

	As of 31 December	
	2017	2016
	RMB'000	*RMB'000*
Guaranteed bank loans:		
— repayable within one year	**140,000**	—

Contingent liabilities

As of 31 December 2017, we had no material contingent liabilities or guarantees.

Capital expenditures

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Capital expenditures	**1,225**	274

Related party transactions

Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司) is a substantial shareholder and hence a connected person of the Company. Therefore, related party transactions as disclosed in note 26 to the financial statements constitute connected transactions of our Group under Chapter 14A of the Listing Rules. Since such guarantee will be conducted on normal commercial terms or better and will not be secured by the assets of the Company, the guarantee will constitute financial assistance to the Company from a connected person under Chapter 14A of the Listing Rules which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

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 31 December	
	2017	2016
	RMB'000	*RMB'000*
Operating lease commitments:		
Within one year	**1,491**	649
One to two years (inclusive)	**999**	682
Two to three years (inclusive)	**793**	201
	3,283	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

Other than the operating lease commitments disclosed above, we had a capital commitment of approximately RMB820,408, contracted but not provided for in the financial statements, in respect of a software as of 31 December 2017.

Selected items of the statement of cash flows

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**119,866**	114,281
Adjustments for:		
Depreciation and amortisation	**845**	946
Interest expense	**1,078**	6,003
EBITDA[1]	**121,789**	121,230

Note:

(1) EBITDA is earnings before interest, tax and depreciation and amortisation.

Key financial ratios

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

	As of/For the year ended 31 December	
	2017	2016
Return on equity[1]	**9.1%**	9.1%
Return on assets[2]	**7.9%**	8.9%
Gross loans to total assets[3]	**81.3%**	86.2%
Gearing ratio[4]	**11.4%**	–13.9%
Asset-liability ratio[5]	**13.9%**	2.3%
EBITDA multiples[6]	**113.0**	20.2
Return on net assets[7]	**9.1%**	9.1%
Net interest margin[8]	**16.6%**	18.1%
Charge-off ratio[9]	**0.1%**	—

Notes:

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

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

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

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

(5) Asset-liability ratio is calculated by dividing total liabilities by the total assets as of the indicated date multiplied by 100%.

(6) EBITDA multiples is calculated by dividing EBITDA by the interest expense for the year.

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

(8) Net interest margin is calculated by dividing net interest income for the year by the average balance of the principal amount of our outstanding loans as of the indicated date multiplied by 100%. The average balance of the principal amount of our outstanding loans represents the average of the balance of the principal amount of our outstanding loans at the previous year end and the current year end.

(9) Charge-off ratio is calculated by dividing total write-offs during the period by the total principal amount of our outstanding loans for the year/period end multiplied by 100%.

Our return on equity remained as 9.1% for the year ended 31 December 2016 and 2017. Our return on assets decreased from 8.9% for the year ended 31 December 2016 to 7.9% for the year ended 31 December 2017 primarily due to the decrease of the average effective interest rate per annum. Our gross loans to total assets remained at a high level with a slight decrease from 86.2% as of 31 December 2016 to 81.3% as of 31 December 2017, which reflect our high capital utilization ratio. Our gearing ratios increased from -13.9% as of 31 December 2016 to 11.4% as of 31 December 2017. Our asset-liability ratio increased from 2.3% as of 31 December 2016 to 13.9% as of 31 December 2017 due to an increase of interest-bearing bank borrowings of RMB140.0 million. Our EBITDA multiples increased from 20.2 for the year ended 31 December 2016 to 113.0 for the year ended 31 December 2017 due to the decrease of the expenditure of the interest on bank borrowings as a result of the decrease of the average balance of the bank borrowings. Our net interest margin decreased from 18.1% for the year ended 31 December 2016 to 16.6% for the year ended 31 December 2017 due to (i) the decrease of the average effective interest rate per annum; and (ii) the increase of monthly average loan size. Our charge-off ratio increased to 0.1% for the year ended 31 December 2017 due to a write-off of the past due loans.

Off-balance sheet arrangements

As of 31 December 2017, we did not have any off-balance sheet arrangements.

Foreign currency exposure

Our Group does not use any derivative financial instruments to hedge the risk of exchange rate changes for the year ended 31 December 2017.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 8 September 2017, the Company entered into a sale and purchase agreements (the "**Sale and Purchase Agreement**") with each of Jinjiang Anping Dock Development Limited* (晉江市安平碼頭發展有限公司), Quanzhou Weiweimao Food Development Limited* (泉州市威威貓食品發展有限公司) and Fujian Guandaxing Holdings Group Limited* (福建冠達星控股集團有限公司) (collectively, the "**Vendors**").

Pursuant to the Sale and Purchase Agreement, the Company had agreed to acquire and Vendors had agreed to sell, in aggregate, 47.9% equity interests in Jinjiang Baiying Microfinance Co., Ltd* (晉江市百應小額貸款有限責任公司) (the "**Target Company**") for a consideration of approximately RMB172.5 million (equivalent to approximately HK$207.0 million), which is fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

The Target Company is a licensed microfinance company established in Jinjiang city, Fujian province on 21 March 2014 and primarily engaged in the business of providing micro and small loans to SMEs and micro enterprises in Jinjiang city.

On 22 September 2017, the above transaction has been completed. For more details, please refer to the announcement of the Company dated 11 September 2017. Save as disclosed above, there were no material investments or acquisitions for the year ended 31 December 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than bank loans, issue of bonds in PRC and income rights transfer and repurchase financing which we may consider, we do not expect to have any plan for material investment and sources of funding in the short time. Save as the disclosed above, our Group had no future plans for material investments and expected sources of funding as of 31 December 2017.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2017, our Group had 55 employees, all of whom were based in Quanzhou city. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of our Group. Other corresponding benefits include pension, unemployment insurance and housing allowance.

PROSPECTS

Since its establishment, the Group has set its vision of becoming an industry-leading enterprise and its core values of "Integrity Management, Pursuit of Sustainable Value", with an aim to serve the needs of the regional economy and to provide financial services to more SMEs, families and individuals, which in turn helped facilitate the financing of real economy. In the past year, through efforts for improving policy environment, diversifying financing channels, enriching product ranges, optimizing human resources system and building information technology, the Group delivered convenient services to better serve the customers and continued to reduce customers' finance costs.

Promoting continuous improvement of industry policy

In April 2017, as one of the main sponsors, the Company initiated the establishment of "Quanzhou Local Financial Industry Association (泉州地方金融行業協會)" and became the first president unit of the association. The Company actively participated in the revision and alteration of local industry policies and proactively took part in the pilot work of the innovative business. In April 2017, the People's Government of Quanzhou Municipality 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 clarifies the industry attribute of microfinance company as financial enterprise, and expands the business scope and geographical restrictions of microfinance company properly. The policy further demonstrates the advantage of financial reform in Quanzhou and provides a more favorable policy environment for local microfinance companies.

In September 2017, the Group received approval from the Quanzhou Financial Affairs Bureau (泉州市金融工作局), which agreed the Company to set up branch office in Quanzhou areas, and increase the operations of overseas investment and bill discount businesses; and agreed the Company to acquire 47.9% equity interest of Jinjiang Baiying Microfinance Co., Ltd. (晉江市百應小額貸款有限公司). The Group is gradually carrying out investment business, enriching its business products and expanding the customer base.

Diversifying Financial Channel

In 2017, the Company negotiated financing cooperation with several banking institutions and obtained a facility of RMB280 million in aggregate from two banks. Meanwhile, the Company planned to issue non-public corporate bonds on the Shenzhen Stock Exchange. In February 2018, the Company obtained the credit rating from Shanghai Far East Credit Rating Co., Ltd. in relation to the proposed non-public issue of corporate bonds by the Company. The credit rating of the Company was appraised as AA-, and the credit rating of the non-public issue of corporate bonds was AA+. The Company made steady progress in the issue of corporate bonds. Upon its successful listing, the Company will rely on the capital market to enhance the creditworthiness of the Company, enhance the Company's credit rating, continue to broaden the Company's financing channel and improve the leverage multiples while constantly providing customers with cheaper funds.

Enriching Product Range and Deepening Market Penetration

For product marketing, our core customers are still mainly the SMEs, micro-enterprises and individual business owners. In 2017, the Group completed the improvement and optimization of major existing business processes and product ranges, and launched a convenient and standardized loan product targeting micro-enterprises, individual industrial and commercial entrepreneurs and their families so as to meet short-term and medium-term financing needs of customers and established a business unit based on the standard product. For different asset types and customer credit ratings, the Group's newly launched real estate mortgage loan product for micro-entrepreneurs and individual business owners has stronger competitiveness in the market and gained high praise from customers. The proportion of collateral-backed loans in the total loan balance increased from 36.1% at the end of 2016 to 48.9% at the end of 2017. In the meantime, in light of diversified needs of local enterprises in the process of industrial transformation and upgrading, the Company plans to provide equity financing service to customers on the top of debt financing service.

For the year ended 31 December 2017, in terms of the revenue from the principal business, the total revenue of the principal business of the microfinance companies in Fujian province amounted to approximately RMB1.3 billion; the Group's revenue from the principal business was RMB140.0 million, ranking first in the province, and its market share is increasing.

Optimizing Human Resources Management System

The Group considers providing staff with promising career development as an important basis for their professional growth. In 2017, we engaged intermediate agency to systematically streamline and optimize the remuneration incentive system of the Group, designed a corporate governance system that is in line with the Group's business development and risk management features, and is based on each staff's enhancement of ability and performance contributions in order to motivate staff creativity. The Group attaches great importance to the improvement of its staff's professional standards and has increased its investment in human resources. At the same time, we laid out a career path for our staff and provided them with training that is in line with the characteristics of staff in different stages of career development so that they can understand each stage of career development clearly. Their professional standards will be polished through continuous learning so that they can adapt more quickly to higher position and to more complex demand of business environment. Our Group continues to provide staff with more promising career development and a broader career path so that employees can grow with us.

Informationalisation and Online Business

In 2017, the Group signed a more comprehensive information construction plan with a well-known domestic financial information technology company to replace the original business and financial information systems. The Group has stepped up its investment in informationalisation to strengthen its internal control and risk management systems. On the one hand, the internal control is integrated with information technology and new IT system will allow a convenient, prompt and cost-effective internal control. On the other hand, we built long-term relationship with third-party credit information service suppliers and actively adopted risk control measures of big data to enable technology to provide financial services with business management and risk management support. The Group is also trying to promote online business and seeking to establish good interaction with customers to shorten connection with them.

Building upon our experience, we strive for the future. Good corporate governance will help the Group to establish long-term sustainable business objectives and form a scientific, efficient and transparent decision-making and operating mechanism. The Group will continue to improve its corporate governance, risk management and internal control system, business and financial management standards and continue to provide better services to the SMEs, families and individuals in the region that are in line with industrial restructuring and upgrading. The Group will make full use of its capital and brand advantages after its listing to broaden its financing and business pipeline, continuously innovate its loan products and increase market share so as to create long-term reasonable returns for shareholders.

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 expense in connection with the global offering).

In August 2017, after careful consideration and detailed evaluation of the Company's operation, in order to efficiently utilize the net proceeds from the global offering and develop the Company's principal business to improve shareholders' returns, the Board resolved to adjust the allocation of the use of proceeds from the global offering.

In addition, due to the relevant requirements stipulated by the SAFE, the expenses payable by the Company in connection with the global offering were not fully paid out of the proceeds from the global offering. Such expenses were settled by the Company using its own funds. As a result, the actual bank balance of the proceeds from the global offering amounted to approximately HK$292.3 million.

The above changes in the allocation of the use of proceeds will allow the Company to deploy its financial resources more effectively and the Board considers that such changes will be more in line with the current business needs of the Company and are beneficial to the continued development of the Company, so as to strengthen the Company's overall market position as the largest licensed microfinance company in Fujian province in terms of revenue in 2016. For details, please refer to the announcement of change in use of proceeds of the Company dated 29 August 2017.

The details of the original allocation of the net proceeds, the revised allocation of the net proceeds, the utilisation of the net proceeds and the remaining balance (after revised allocation) as at 31 December 2017 as set out below:

Item No.	**Purposes**	**Original allocation (amounts adjusted on a pro-rata basis)**	**Revised allocation (amounts adjusted on a pro-rata basis)**	**Amount utilized as at 31 December 2017** *(HK$ in millions)*	**The remaining balance (after the revised allocation) as at 31 December 2017** *(HK$ in millions)*
(i)	To enlarge the capital base of our loan business and to develop new products and services in order to satisfy the diverse financing and business needs from entrepreneurial individuals, SMEs and microenterprises	Approximately HK$190.0 million (approximately 65%)	Approximately HK$219.2 million (approximately 75%)	Approximately 219.2	Approximately 0
(ii)	For strategic acquisitions and investments in financial services providers	Approximately HK$43.8 million (approximately 15%)	Approximately HK$43.8 million (approximately 15%)	Approximately 43.8	Approximately 0
(iii)	To strengthen our sales network and marketing activities, upgrade IT system, develop innovative mobile client, as well as to enhance our employees' training programs and human resources	Approximately HK$14.6 million (approximately 5%)	Approximately HK$7.3 million (approximately 2.5%)	Approximately 3.3	Approximately 4.0
(iv)	To strengthen our internal control and risk management systems and establish long-term cooperation with third party credit information service providers	Approximately HK$14.6 million (approximately 5%)	Approximately HK$4.4 million (approximately 1.5%)	Approximately 3.9	Approximately 0.5
(v)	For working capital and general corporate purposes	Approximately HK$29.2 million (approximately 10%)	Approximately HK$17.5 million (approximately 6%)	Approximately 17.2	Approximately 0.3
	Total	Approximately HK$292.3 million	Approximately HK$292.3 million	Approximately 287.5	Approximately 4.8

CORPORATE GOVERNANCE

Our Group is committed to maintaining high standards of corporate governance and protecting 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 set out in Appendix 14 to the Listing Rules and reviewed its corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS OF LISTED ISSUERS

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 requirements stipulated in the Model Code during the Reporting Period.

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

Our Group has not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2017 to shareholders whose names appear on the Company's register of members on Monday, 25 June 2018 (the "**Proposed Final Dividend**"). Subject to the approval of the shareholders at the Company's forthcoming annual general meeting to be held on Tuesday, 12 June 2018 (the "**AGM**"), the Proposed Final Dividend is expected to be paid on or around Thursday, 16 August 2018.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholder's entitlement to attend and vote at the AGM, the H share register of members of the Company will be closed from Saturday, 12 May 2018 to Tuesday, 12 June 2018, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the AGM, holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong (**"H Share Registrar**"), Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Friday, 11 May 2018.

For the purpose of determining the entitlement to the Proposed Final Dividend, the H share register of members of the Company will be closed from Wednesday, 20 June 2018 to Monday, 25 June 2018, both days inclusive, during which period no share transfers of H shares will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of H shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, for registration no later than 4:30 p.m. on Tuesday, 19 June 2018.

EVENTS AFTER THE REPORTING PERIOD

On 11 December 2017, a proposed issue of bonds in the PRC with an aggregate amount of no more than RMB500.0 million (inclusive) (the "**Bonds**") had been approved by the Board and passed by the shareholders by way of poll at the extraordinary general meeting on 5 February 2018. The interest rate of the Bonds will be determined after consultation with the underwriter of the issue of Bonds with reference to the market conditions.

For more details, please refer to the announcement, circular and poll results announcement of the Company dated 11 December 2017, 19 December 2017 and 5 February 2018, respectively.

AGM

The AGM will be held at 12/F, Former Finance Building, No. 361 Feng Ze Street, Quanzhou City, Fujian Province, the PRC on Tuesday, 12 June 2018. Notice of the AGM will be issued and disseminated by the Company to shareholders in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by our Group, auditing, internal controls and financial report matters, and our Group's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with management and the Company's auditor, Ernst & Young, the financial statements for the year ended 31 December 2017.

This Annual Results announcement is based on our Group's audited financial statements for the year ended 31 December 2017 which has been agreed with the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Annual Results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Group (www.qzhuixin.net). The annual report for the year ended 31 December 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, 15 March 2018

As at the date of this announcement, the executive Directors 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*