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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Quanzhou Huixin Micro-credit Co., Ltd.* (the "**Company**") is pleased to announce the unaudited interim results (the "**Interim Results**") of the Company and its subsidiary (the "**Group**", "**we**" or "**our**") for the six months ended 30 June 2018 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2017, prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") promulgated by the Hong Kong Institute of Certified Public Accountants. The Board and the audit committee of the Company (the "**Audit Committee**") have reviewed and confirmed the Interim Results.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

(Amounts expressed in RMB unless otherwise stated)

		Six months ended 30 June	
	Notes	**2018**	2017
		(unaudited)	(unaudited)
Interest income	*5*	**75,175,740**	66,386,919
Interest expense	*5*	**(4,592,713)**	—
Interest income, net		**70,583,027**	66,386,919
Net charge of impairment allowance on loans receivable	*6*	**(6,194,608)**	(94,883)
Operating and administrative expenses		**(10,700,359)**	(9,146,089)
Foreign exchange gain/(loss), net		**31,721**	(2,337,518)
Other income and gains, net	*7*	**632,668**	1,341,814
Share of profit of an associate		**2,940,525**	—
PROFIT BEFORE TAX	*8*	**57,292,974**	56,150,243
Income tax expense	*9*	**(13,515,009)**	(14,128,364)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**43,777,965**	42,021,879
Attributable to:			
Owners of the parent		**43,777,965**	42,021,879
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
Basic		**0.06**	0.06
Diluted		**0.06**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

(Amounts expressed in RMB unless otherwise stated)

	Notes	**30 June 2018 (unaudited)**	31 December 2017 (audited)
ASSETS			
Cash and cash equivalents	*12*	**6,563,250**	12,291,149
Financial assets at fair value through profit or loss	*13*	**3,150,000**	31,000,000
Loans receivable	*14*	**1,024,647,439**	919,519,129
Investment in an associate	*15*	**173,233,277**	177,477,751
Property and equipment	*16*	**1,385,420**	1,375,125
Deferred tax assets	*17*	**1,704,033**	1,446,089
Other assets	*18*	**12,881,999**	13,221,384
TOTAL ASSETS		**1,223,565,418**	1,156,330,627
LIABILITIES			
Interest-bearing bank borrowings	*19*	**165,000,000**	140,000,000
Interest payable		**244,486**	182,217
Income tax payable		**9,018,628**	13,097,652
Dividends payable		**34,000,000**	—
Other payables	*20*	**9,537,369**	7,063,788
TOTAL LIABILITIES		**217,800,483**	160,343,657
NET ASSETS		**1,005,764,935**	995,986,970
EQUITY			
Share capital	*21*	**680,000,000**	680,000,000
Reserves	*22*	**128,291,905**	126,989,833
Retained profits		**197,473,030**	188,997,137
Equity attributable to owners of the parent		**1,005,764,935**	995,986,970
Non-controlling interests		**—**	—
TOTAL EQUITY		**1,005,764,935**	995,986,970

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(Amounts expressed in RMB unless otherwise stated)

	For the six months ended 30 June 2018 (unaudited)						
	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 2018	**680,000,000**	**69,383,972**	**43,498,553**	**14,107,308**	**188,997,137**	**995,986,970**	**995,986,970**
Net profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**43,777,965**	**43,777,965**	**43,777,965**
Appropriation to general reserve	**—**	**—**	**—**	**1,302,072**	**(1,302,072)**	**—**	**—**
Distribution to shareholders *(Note 10)*	**—**	**—**	**—**	**—**	**(34,000,000)**	**(34,000,000)**	**(34,000,000)**
Balance as at 30 June 2018	**680,000,000**	**69,383,972**	**43,498,553**	**15,409,380**	**197,473,030**	**1,005,764,935**	**1,005,764,935**

	For the six months ended 30 June 2017 (unaudited)						
	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 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 period	—	—	—	—	42,021,879	42,021,879	42,021,879
Distribution to shareholders *(Note 10)*	—	—	—	—	(34,000,000)	(34,000,000)	(34,000,000)
Balance as at 30 June 2017	680,000,000	69,383,972	34,377,654	12,421,210	150,859,555	947,042,391	947,042,391

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

(Amounts expressed in RMB unless otherwise stated)

	Notes	**Six months ended 30 June** **2018** **(unaudited)**	2017 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**57,292,974**	56,150,243
Adjustments for:			
Share of profit of an associate		**(2,940,525)**	—
Depreciation and amortisation		**279,672**	505,326
Impairment charged		**6,194,608**	94,883
Accreted interest on impaired loans		**(1,380,014)**	(1,601,982)
Foreign exchange (gain)/loss, net		**(31,721)**	2,337,518
Loss on disposal of items of property and equipment		**1,151**	3,638
Interest expense	*5*	**4,592,713**	—
		64,008,858	57,489,626
Decrease/(increase) in financial assets at fair value through profit or loss		**27,850,000**	(5,200,000)
Increase in loans receivable		**(109,942,904)**	(41,425,849)
Decrease in other assets		**339,385**	1,310,650
Increase/(decrease) in other payables		**2,473,580**	(1,826,987)
Net cash flows (used in)/from operating activities before tax		**(15,271,081)**	10,347,440
Income tax paid		**(17,851,977)**	(22,087,933)
Net cash flows used in operating activities		**(33,123,058)**	(11,740,493)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(291,118)**	(162,290)
Prepayment for an intangible asset		**—**	(1,221,840)
Dividends received from an associate		**7,185,000**	—
Net cash flows from/(used in) investing activities		**6,893,882**	(1,384,130)

		Six months ended 30 June	
	Notes	**2018**	2017
		(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new bank borrowings		**25,000,000**	—
Interest paid		**(4,530,444)**	—
Net cash flows from financing activities	*23*	**20,469,556**	—
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,759,620)**	(13,124,623)
Cash and cash equivalents at beginning of the period		**12,291,149**	114,409,337
Effect of foreign exchange rate changes, net		**31,721**	(2,337,518)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**6,563,250**	98,947,196

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2018

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

Quanzhou Huixin Micro-credit Co., Ltd. (the "**Company**") was established 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, PRC.

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 period, 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 30 June 2018, the paid-in capital of Huixinxing was RMB500,000.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), as part of the Hong Kong Financial Reporting Standards ("**HKFRSs**"), as well as with all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2017.

3. SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 9 Financial Instruments that relate to the Group's current principal activities and require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have any impact on the condensed consolidated financial statements of the Group.

3.1.1 *HKFRS 9 Financial Instruments*

HKFRS 9 *Financial Instruments replaces* HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. Amendment to HKFRS 9 Financial Instruments, issued in December 2017, allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after 1 January 2019, but early application is permitted. The Group adopted HKFRS 9 and its amendments from 1 January 2018.

(a) *Classification and measurement*

In HKFRS 9, financial assets are classified into three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the financial assets and their contractual cash flow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future.

Business model

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of "other" business model. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Characteristics of the contractual cash flows

The assessment of the characteristics of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

(b) *Impairment*

The adoption of HKFRS 9 has changed the Group's loan loss impairment method by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. HKFRS 9 requires the Group to record an allowance for ECL for all loans receivable and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, if any.

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments; and

- Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used internal models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk;

- Definition of credit-impaired financial asset;

- Parameters for measuring ECL; and

- Forward-looking information.

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, internal rating grade, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition.

Qualitative criteria

- Significant adverse change in debtor's operation or financial status; and

- Be classified into Special Mention category within five-tier loan classification.

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due.

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under HKFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the customer;

- Customers are in breach of contract, such as defaulting on interest or principal payments overdue for more than 90 days; and

- It is becoming probable that the customer will enter bankruptcy or other financial restructuring.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default ("**PD**"), loss given default ("**LGD**") and exposure at default ("**EAD**"). The Group takes into account the quantitative analysis of historical statistics (such as internal rating grade, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the internal rating grade, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime; and

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL, such as GDP growth, Central Bank base rates and price indices.

Based on the nature and classification of financial assets and financial liabilities of the Group recorded on the statement of financial position as at 30 June 2018, the new requirements for classification and measurement for financial assets and financial liabilities under HKFRS 9 have insignificant impact on the Group's financial position or performance.

3.2 Significant Accounting Estimates

Impairment losses on financial assets

The measurement of impairment losses both under HKFRS 9 and HKAS 39 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of internal models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal rating grade model, which assigns PDs to the individual grades;

- The Group's criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;

- Development of ECL models, including the various formulas and the choice of inputs; and

- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs.

4. SEGMENT REPORTING

During the Reporting Period, almost all of the Group's revenue was generated from the provision of credit facilities to SMEs, microenterprises and entrepreneurial individuals in Quanzhou, 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, Fujian Province in Mainland China during the Reporting Period.

5. INTEREST INCOME

	Six months ended 30 June	
	2018	2017
Interest income on:		
Loans receivable	**75,175,740**	66,386,919
Interest expense on:		
Bank loans		
Wholly repayable within five years	**(4,592,713)**	—
Interest income, net	**70,583,027**	66,386,919
Included: interest income on impaired loans	**1,429,854**	2,182,801

6. NET CHARGE OF IMPAIRMENT ALLOWANCE ON LOANS RECEIVABLE

The table below shows the ECL charges on the financial instruments for the Reporting Period recorded in the profit or loss:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans receivable	3,439,561	(1,243,106)	3,998,153	6,194,608
Total impairment loss	3,439,561	(1,243,106)	3,998,153	6,194,608

7. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2018	2017
Gains from financial assets at fair value through profit or loss	**595,984**	1,224,577
Interest from bank deposits	**16,250**	124,251
Loss on disposal of property and equipment	**(1,151)**	(3,638)
Others	**21,585**	(3,376)
Total	**632,668**	1,341,814

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
Depreciation and amortisation	**279,672**	505,326
Staff costs:		
Salaries, bonuses and allowances	**4,391,874**	3,057,919
Other social welfare	**628,788**	420,621
Net charge of impairment allowance on loans receivable	**6,194,608**	94,883
Leasing expense	**724,137**	304,730
Consulting fee	**1,216,353**	2,128,815
Guarantee fee	**408,585**	—
Auditor's remuneration	**411,650**	324,272

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
Current income tax	**13,772,953**	14,060,585
Deferred income tax *(Note 17)*	**(257,944)**	67,779
Total	**13,515,009**	14,128,364

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:

	Six months ended 30 June	
	2018	2017
Profit before tax	**57,292,974**	56,150,243
Tax at the applicable tax rate of 25%	**14,323,244**	14,037,561
Tax effect of income not subject to tax	**(813,009)**	—
Tax effect of expenses not deductible for tax purposes	**4,774**	90,803
Total tax expense for the period at the Group's effective tax rate	**13,515,009**	14,128,364

10. DIVIDEND

	Six months ended 30 June	
	2018	2017
Proposed and paid dividend	**34,000,000**	34,000,000

Pursuant to the resolution of its annual general meeting on 12 June 2018, the Company distributed cash dividends of RMB34 million to the shareholders.

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

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

	Six months ended 30 June	
	2018	2017
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**43,777,965**	42,021,879
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**680,000,000**	680,000,000
Basic and diluted earnings per share	**0.06**	0.06

12. CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash on hand	**2,453**	1,521
Cash at banks	**6,560,797**	12,289,628
	6,563,250	12,291,149

At the end of the Reporting Period, the cash and bank balances of the Group denominated in Hong Kong dollar ("**HKD**") amounted to RMB3,959,140 (31 December 2017: RMB3,986,934). Cash at banks earns interest at floating rates based on daily bank deposit rates.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018	31 December 2017
Wealth management products	**3,150,000**	31,000,000

During the Reporting Period, 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.

14. LOANS RECEIVABLE

	30 June 2018	31 December 2017
Loans receivable	**1,050,430,102**	940,487,198
Less: Allowance for impairment		
— Individually assessed	**(9,757,699)**	(7,139,559)
— Collectively assessed	**(16,024,964)**	(13,828,510)
	1,024,647,439	919,519,129

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

The table below shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating system and period-end stage classification.

	30 June 2018				**31 December 2017**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Performing (i)	998,641,641	26,911,768	—	1,025,553,409	919,863,340
Impaired (ii)	—	—	24,876,693	24,876,693	20,623,858
Total	998,641,641	26,911,768	24,876,693	1,050,430,102	940,487,198

(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 30 June 2018, 47.2% (as at 31 December 2017: 50.3%) of loans receivable were guaranteed loans, and 49.5% (as at 31 December 2017: 48.9%) of loans receivable were collateral-backed loans.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans receivable are, as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	884,500,568	35,362,772	20,623,858	940,487,198
New	1,456,412,894	—	—	1,456,412,894
Derecognised	(1,323,871,821)	(22,451,004)	(147,165)	(1,346,469,990)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(18,400,000)	18,400,000	—	—
Transfer to Stage 3	—	(4,400,000)	4,400,000	—
At 30 June 2018	998,641,641	26,911,768	24,876,693	1,050,430,102

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	10,973,389	2,855,121	7,139,559	20,968,069
New/(reversal)	3,672,480	(1,120,779)	3,642,907	6,194,608
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(232,920)	232,920	—	—
Transfer to Stage 3	—	(355,247)	355,247	—
Accreted interest on impaired loans	—	—	(1,380,014)	(1,380,014)
At 30 June 2018	14,412,949	1,612,015	9,757,699	25,782,663

Movements of allowance for impairment losses during the year ended 31 December 2017 are as follows:

	Individually assessed	Collectively assessed	Total
At 1 January 2017	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)
At 31 December 2017	7,139,559	13,828,510	20,968,069

15. INVESTMENT IN AN ASSOCIATE

	30 June 2018	31 December 2017
Share of net assets	**157,874,930**	162,119,404
Goodwill on acquisition	**15,358,347**	15,358,347
	173,233,277	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 Huixin Microfinance Co., Ltd.* (晉江市匯鑫小額貸款有限公司) ("**JJHX**") (Formerly known as Jinjiang Baiying Mircrofinance Co., Ltd.* (晉江市百應小額貸款有限責任公司))	Ordinary shares	Jinjiang, China	47.9%	Provision of micro-credit

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

In order to increase the market share and consolidate its leading position in Fujian Province, the Company acquired JJHX on 30 September 2017. JJHX 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:

	30 June 2018
Total assets	374,212,280
Total liabilities	(44,619,526)
Net assets	329,592,754
Net assets, excluding goodwill	329,592,754
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	47.90%
Group's share of net assets of the associate, excluding goodwill	157,874,930
Goodwill on acquisition	15,358,347
Carrying amount of the investment	173,233,277

	For the six months ended 30 June 2018
Interest income	24,273,771
Net profit and total comprehensive income for the period	6,138,884

16. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:				
At 1 January 2017	993,291	459,515	1,757,721	3,210,527
Additions	—	793,786	366,337	1,160,123
Disposals	(90,488)	(880)	—	(91,368)
At 31 December 2017	902,803	1,252,421	2,124,058	4,279,282
Additions	—	88,737	202,381	291,118
Disposals	—	(23,019)	—	(23,019)
At 30 June 2018	902,803	1,318,139	2,326,439	4,547,381
Accumulated depreciation:				
At 1 January 2017	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
Depreciation charge for the period	48,516	143,017	88,139	279,672
Disposals	—	(21,868)	—	(21,868)
At 30 June 2018	697,314	618,787	1,845,860	3,161,961
Net carrying amount:				
At 30 June 2018	205,489	699,352	480,579	1,385,420
At 31 December 2017	254,005	754,783	366,337	1,375,125

17. DEFERRED TAX ASSETS

The movements in the deferred tax assets are as follows:

	Impairment allowance on loans
At 1 January 2017	1,459,976
Recognized in profit or loss	(13,887)
At 31 December 2017	1,446,089
Recognized in profit or loss *(Note 9)*	257,944
At 30 June 2018	1,704,033

18. OTHER ASSETS

		30 June 2018	31 December 2017
Repossessed assets	*(a)*	**8,060,000**	8,060,000
Deferred and prepaid expenses		**3,631,736**	4,120,847
Other receivables		**1,190,263**	1,040,537
		12,881,999	13,221,384

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

19. INTEREST-BEARING BANK BORROWINGS

	30 June 2018	31 December 2017
Guaranteed bank loans repayable:		
Within one year	**165,000,000**	140,000,000

As at 30 June 2018 and 31 December 2017, the annual interest rates of the loans above were 5.655% and 5.800% respectively.

The interest-bearing bank borrowings of RMB165 million as at 30 June 2018 were guaranteed by one of the Company's shareholders, Fujian Septwolves Group Co., Ltd. ("**Septwolves Group**").

20. OTHER PAYABLES

	30 June 2018	31 December 2017
Payrolls payable	**1,121,586**	2,189,887
Value-added tax, and surcharges payable	**2,476,522**	2,260,228
Audit fee	**400,000**	1,084,906
Guarantee fee	**408,585**	—
Deposits	**4,700,000**	1,400,000
Others	**430,676**	128,767
	9,537,369	7,063,788

21. SHARE CAPITAL

	30 June 2018	31 December 2017
Issued and fully paid ordinary shares of RMB1 each	**680,000,000**	680,000,000

22. RESERVES

The amounts of the Group's reserves and the movements therein for the period are presented in the consolidated 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 30 June 2018, the balance of the general reserve of the Company was RMB15.4 million, no lower than 1.5% of its risk assets.

Distributable profit

Pursuant to the resolution of board of directors of the Company passed on 15 March 2018, a final dividend of approximately RMB34 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of the statutory surplus reserve and general reserve and was approved by shareholders of the Company at annual general meeting on 12 June 2018.

23. NOTE TO THE INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	**Amounts due to shareholders**
At 1 January 2018	140,182,217	—
Changes from financing cash flows	20,469,556	—
2017 final dividends payable	—	34,000,000
Interest expense	4,592,713	—
At 30 June 2018	165,244,486	34,000,000

24. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2018	2017
Salaries and other short-term employee benefits	**1,265,783**	1,042,898

(b) Loan guarantee

The interest-bearing bank borrowings of RMB165 million as at 30 June 2018 were guaranteed by Septwolves Group. The guarantee fee of RMB408,585 was accrued during the Reporting Period, which was based on a fixed rate of the balance of interest-bearing borrowings.

(c) Outstanding balances with related parties

As at 30 June 2018, the Group had an outstanding balance due to Septwolves Group, amounting to RMB637,483 (as at 31 December 2017: RMB388,038). The balance is unsecured and interest-free.

25. CONTINGENT LIABILITIES

As at 30 June 2018, there were no significant contingent liabilities.

26. 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:

	30 June 2018	31 December 2017
Within 1 year (inclusive)	**1,410,678**	1,490,591
1 to 2 years (inclusive)	**819,209**	999,041
2 to 3 years (inclusive)	**398,731**	792,963
	2,628,618	3,282,595

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018	31 December 2017
Contracted, but not provided for:		
Software	**714,809**	820,408

28. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	30 June 2018					
	On demand	**Overdue**	**Less than 3 months**	**3 to less than 12 months**	**After 12 months**	**Total**
Assets:						
Cash and cash equivalents	**6,563,250**	**—**	**—**	**—**	**—**	**6,563,250**
Financial assets at fair value through profit or loss	**3,150,000**	**—**	**—**	**—**	**—**	**3,150,000**
Loans receivable	**—**	**32,510,843**	**297,833,615**	**489,951,319**	**204,351,662**	**1,024,647,439**
Property and equipment	**—**	**—**	**—**	**—**	**1,385,420**	**1,385,420**
Investment in an associate	**—**	**—**	**—**	**—**	**173,233,277**	**173,233,277**
Deferred tax assets	**—**	**—**	**—**	**—**	**1,704,033**	**1,704,033**
Other assets	**—**	**—**	**336,486**	**3,730,773**	**8,814,740**	**12,881,999**
Subtotal	**9,713,250**	**32,510,843**	**298,170,101**	**493,682,092**	**389,489,132**	**1,223,565,418**
Liabilities:						
Interest-bearing bank borrowings	**—**	**—**	**—**	**165,000,000**	**—**	**165,000,000**
Interest payable	**—**	**—**	**244,486**	**—**	**—**	**244,486**
Income tax payable	**—**	**—**	**9,018,628**	**—**	**—**	**9,018,628**
Dividends payable	**—**	**—**	**34,000,000**	**—**	**—**	**34,000,000**
Other payables	**—**	**—**	**4,837,369**	**4,700,000**	**—**	**9,537,369**
Subtotal	**—**	**—**	**48,100,483**	**169,700,000**	**—**	**217,800,483**
Net	**9,713,250**	**32,510,843**	**250,069,618**	**323,982,092**	**389,489,132**	**1,005,764,935**

	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
Investment in an associate	—	—	—	—	177,477,751	177,477,751
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	375,121,339	1,156,330,627
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	375,121,339	995,986,970

29. 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 financial 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 30 June 2018	**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	**3,150,000**	**—**	**—**	**3,150,000**

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

During the six months ended 30 June 2018, the Group had no transfer of financial assets measured at fair value between Level 1 and Level 2.

30. EVENTS AFTER THE REPORTING PERIOD

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

31. INTERIM STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	30 June 2018 (unaudited)	31 December 2017 (audited)
ASSETS		
Cash and cash equivalents	**6,117,314**	10,513,062
Financial assets at fair value through profit or loss	**—**	31,000,000
Loans receivable	**1,024,647,439**	919,519,129
Investment in an associate	**173,233,277**	177,477,751
Investment in a subsidiary	**500,000**	500,000
Property and equipment	**1,347,501**	1,375,125
Deferred tax assets	**1,704,033**	1,446,089
Other assets	**12,857,321**	13,180,785
TOTAL ASSETS	**1,220,406,885**	1,155,011,941
LIABILITIES		
Interest-bearing bank borrowings	**165,000,000**	140,000,000
Interest payable	**244,486**	182,217
Dividends payable	**34,000,000**	—
Income tax payable	**8,902,196**	13,097,652
Other payables	**6,602,029**	5,502,569
TOTAL LIABILITIES	**214,748,711**	158,782,438
NET ASSETS	**1,005,658,174**	996,229,503
EQUITY		
Share capital	**680,000,000**	680,000,000
Reserves	**128,291,905**	126,989,833
Retained profits	**197,366,269**	189,239,670
TOTAL EQUITY	**1,005,658,174**	996,229,503

Note:

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

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 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 and 1 January 2018	69,383,972	43,498,553	14,107,308	126,989,833
Appropriation to general reserve	—	—	1,302,072	1,302,072
Balance as at 30 June 2018	69,383,972	43,498,553	15,409,380	128,291,905

32. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved and authorised for issue by the Company's Board of Directors on 27 August 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), which is transformed into the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) in 2018, or where the context so requires, China Banking Regulatory Commission (中國銀行業監督管理委員會) ("**CBIRC**") and the People's Bank of China (中國人民銀行) promulgated the *Guiding Opinions on the Pilot Operation of Microfinance Companies* (關於小額貸款公司試點的指導意見) in 2008, which first formalized the registration procedures for microfinance companies at the national level, China's microfinance industry has seen rapid expansion. In 2012, the State Council of the People's Republic of China (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 small and medium-sized enterprises (the "**SMEs**") and local microenterprises. In 2014, the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會) designated Quanzhou 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 the inclusive finance service. Moreover, in 2017, the government of Quanzhou city promulgated the *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which encourages microfinance companies to develop innovative businesses.

Business Overview

Our Loan Business

Based in Quanzhou city, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2017, according to the Fujian Economic and Information Technology Commission. We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs. We generate substantially all of our income by charging interest on the loans extended to our customers. We provide two types of loans, namely, revolving loans and term loans to our customers. For the year ended 31 December 2017 and the six months ended 30 June 2018, we served 570 and 731 customers, respectively. We granted 1,848 loans with an aggregate amount of RMB3,239 million and 1,141 loans with an aggregate amount of RMB1,451 million for the year ended 31 December 2017 and the six months ended 30 June 2018, respectively.

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

	As of 30 June 2018	**As of 31 December 2017**
Share capital *(RMB in millions)*	**680.0**	680.0
Net capital *(RMB in millions)*[(1)]	**1,005.8**	996.0
Principal amount of outstanding loans *(RMB in millions)*	**1,027.3**	922.9
Loan/net capital ratio[(2)]	**1.02 Times**	0.93 Times

Notes:

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

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

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

	For the six months ended 30 June 2018	For the year ended 31 December 2017
Average balance of outstanding performing loans[1] *(RMB'000)*	944,819	811,491
Average effective interest rate per annum	15.61%[3]	16.43%[2]

Notes:

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

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

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

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

Loan portfolio

The principal amount of our outstanding loans increased steadily from RMB922.9 million as of 31 December 2017 to RMB1,027.3 million as of 30 June 2018, primarily due to expansion of our loan business.

Revolving loans and term loans

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

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Revolving loans	**571,435**	**55.6**	483,237	52.4
Term loans	**455,857**	**44.4**	439,615	47.6
Total	**1,027,292**	**100.0**	922,852	100.0

Loan portfolio by security

Our loans receivable consist of credit loans, guaranteed loans and collateral-backed loans. The following table sets forth our loan portfolio by security as of the dates indicated:

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	*%*	*RMB'000*	*%*
Principal amount of outstanding loans:				
Credit loans	**34,001**	**3.3**	7,000	0.8
Guaranteed loans	**484,094**	**47.1**	462,304	50.1
Collateral-backed loans				
— with guarantee	**329,393**	**32.1**	333,579	36.1
— without guarantee	**179,804**	**17.5**	119,969	13.0
Total	**1,027,292**	**100.0**	922,852	100.0

Maturity profile of loan portfolio

As of 30 June 2018, our maturity profiles within six months and over six months accounted for 55.5% and 44.5% of the total principal amount of outstanding loans, respectively. The following table sets forth the maturity profile of our loans as of the dates indicated:

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	***%***	*RMB'000*	*%*
Principal amount of outstanding loans:				
Past due	**43,377**	**4.2[(1)]**	20,624	2.2[(1)]
Due within three months	**308,315**	**30.0**	343,670	37.3
Due between three months and six months	**219,200**	**21.3**	437,496	47.4
Due between six months and one year	**336,684**	**32.8**	113,930	12.3
Due over one year	**119,716**	**11.7**	7,132	0.8
Total	**1,027,292**	**100.0**	922,852	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 RMB20.6 million and RMB43.4 million as of 31 December 2017 and 30 June 2018, respectively, accounting for 2.2% and 4.2% of the total principal amount of our outstanding loans as of the same dates.

As of 31 December 2017, we had 14 past due loans with an aggregate amount of RMB20.6 million. As of 30 June 2018, RMB0.1 million of the principal amount of these past due loans as of 31 December 2017 had been settled. As of 30 June 2018, the remaining portion of principal amount of past due loans as of 31 December 2017 was RMB20.5 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2017 was RMB8.2 million.

As of 30 June 2018, we had 41 past due loans with an aggregate amount of RMB43.4 million, and the allowance for impairment losses for these past due loans as of the same date was RMB9.8 million. 13 past due loans with an aggregate amount of RMB18.5 million were collactralized by real estates as of 30 June 2018.

Loan portfolio by exposure size

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

	As of 30 June 2018			As of 31 December 2017		
	Number of borrower$^{(1)}$	***RMB'000***	***%***$^{(2)}$	*Number of borrower*$^{(1)}$	*RMB'000*	*%*$^{(2)}$
Principal amount of outstanding loans:						
Up to RMB1.0 million	**285**	**106,466**	**10.4**	218	75,584	8.2
Over RMB1.0 million to RMB3.0 million (inclusive)	**96**	**188,786**	**18.4**	78	146,285	15.8
Over RMB3.0 million to RMB5.0 million (inclusive)	**116**	**500,070**	**48.7**	111	490,700	53.2
Over RMB5.0 million to RMB10.0 million (inclusive)	**13**	**99,020**	**9.6**	9	64,583	7.0
Over RMB10.0 million	**8**	**132,950**	**12.9**	8	145,700	15.8
Total	**518**	**1,027,292**	**100.0**	424	922,852	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 adopt 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 CBIRC. We make provisions for the anticipated level for loan loss after categorizing the loan according to the "Five-Tier Principle". According to the "Five-Tier Principle", our loans are categorized as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. We consider our "substandard", "doubtful" and "loss" loans as impaired loans. The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	***%***	*RMB'000*	*%*
Normal	**975,503**	**95.0**	866,865	93.9
Special-mention	**26,912**	**2.6**	35,363	3.8
Substandard	**15,712**	**1.5**	18,668	2.0
Doubtful	**8,839**	**0.8**	1,630	0.2
Loss	**326**	**0.1**	326	0.1
Total	**1,027,292**	**100.0**	922,852	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 HKFRS 9 since its effective date which is 1 January 2018. Our loan loss impairment method was adjusted by the adoption of HKFRS 9 which replaced HKAS 39's incurred loss approach with a forward-looking ECL approach. For "normal" and "special-mention" loans, we make collective assessment according to forward-looking information and used internal models and assumptions. For "substandard", "doubtful" and "loss" loans, the impairment losses are assessed individually by evaluating the ECL for the lifetime of the loans.

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

	As of/For the six months ended 30 June 2018	As of/For the year ended 31 December 2017
	(RMB'000, except for percentage)	
Impaired loan ratio(1)	**2.4%**	2.2%
Balance of impaired loans receivable	**24,877**	20,624
Balance of gross loans receivable	**1,050,430**	940,487
Allowance coverage ratio(2)	**103.6%**	101.7%
Allowance for impairment losses(3)	**25,783**	20,968
Balance of impaired loans receivable	**24,877**	20,624
Provision for impairment losses ratio(4)	**2.5%**	2.2%
Loss ratio(5)	**8.2%**	1.4%
Net charge of impairment allowance on loans receivable	**6,195**	1,897
Interest income	**75,176**	140,015

Notes:

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

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

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

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

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

Our impaired loans receivable increased from RMB20.6 million as of 31 December 2017 to RMB24.9 million as of 30 June 2018. Our impaired loan ratio increased from 2.2% as of 31 December 2017 to 2.4% as of 30 June 2018. Such increases were primarily because the loans from two customers were recognized as impaired loans during the Reporting Period.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2018:

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 six months ended 30 June 2018.
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 six months ended 30 June 2018.
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* (福建省小額貸款公司暫行管理辦法). The *Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) promulgated by the Supreme People's Court (最高人民法院) on 1 September 2015 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.	Our Group complied with such applicable requirement for the six months ended 30 June 2018.
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 six months ended 30 June 2018.

Key requirements	Compliance status
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 six months ended 30 June 2018.
Upon the listing of the H shares of the Company on the main board (the "**Main Board**") of the Stock Exchange 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 six months ended 30 June 2018.

Financial Overview

Interest Income, Net

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

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest income on:		
Loans receivable[1]	**75,176**	66,387
Interest expense on:		
Bank loans wholly repayable within five years	**(4,593)**	—
Interest income, net	**70,583**	66,387

Note:

(1) Interest income on loans receivable includes interest income on impaired loans, which amounted to RMB2.2 million and RMB1.4 million for the six months ended 30 June 2017 and 2018, respectively.

Interest income

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

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

	For the six months ended 30 June	
	2018	2017
Average balance of outstanding performing loans[1] *(RMB'000)*	**944,819**	785,272
Average effective interest rate per annum[2]	**15.61%**	16.35%

Notes:

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

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

Our loan business is primarily funded by our share capital as well as our bank borrowings. Our interest income increased by 13.2% from RMB66.4 million for the six months ended 30 June 2017 to RMB75.2 million for the six months ended 30 June 2018. The average balance of our outstanding performing loans increased by 20.3% from RMB785.3 million for the six months ended 30 June 2017 to RMB944.8 million for the six months ended 30 June 2018. Such increases were primarily attributable to the steady expansion of our loan business. For the six months ended 30 June 2017 and 2018, our average effective interest rate per annum on our performing loans slightly decreased from 16.35% to 15.61%. Such decrease was primarily because we charged low interest rate to our high-quality customers.

Interest expense

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

	For the six months ended 30 June	
	2018	2017
Average balance of bank borrowings[(1)] *(RMB'000)*	**160,994**	—
Effective interest rate per annum[(2)]	**5.71%**	—

Notes:

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

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

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.

HKFRS 9 requires the recognition of impairment earlier in the lifecycle of a financial asset, taking forward-looking information into consideration. As a result, measurement involves more complex judgement with impairment likely to be more volatile as the economic outlook changes. We will continue to monitor market developments closely and shift in the economic environment in its management and assessment of the credit performance of loans.

Our net charge of impairment allowance on loans receivable for the six months ended 30 June 2017 and 2018 were RMB0.1 million and RMB6.2 million, respectively. Such increase was primarily because (i) we newly recorded the loans from two customers as impaired loans; and (ii) we increased the charge of impairment allowance on loans receivable to the exist impaired loans.

Operating and administrative expenses

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Tax and surcharges	**622**	506
Staff costs:		
Salaries, bonuses and allowances	**4,392**	3,058
Other social welfare	**629**	420
Service fees	**2,510**	2,453
Depreciation and amortization	**279**	505
Leasing expenses	**724**	305
Others	**1,544**	1,899
Total operating and administrative expenses	**10,700**	9,146

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fees, accounting for 5.5% and 5.8% of our operating and administrative expenses for the six months ended 30 June 2017 and 2018, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 38.0% and 46.9% of our operating and administrative expenses for the six months ended 30 June 2017 and 2018, respectively. Service fees consist of professional service fees and other consulting fees.

Our operating and administrative expenses increased from RMB9.1 million for the six months ended 30 June 2017 to RMB10.7 million for the six months ended 30 June 2018. Such increase was primarily due to the increase of staff costs.

Other income and gains, net

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Gains from financial assets at fair value through profit or loss	**596**	1,225
Interest from bank deposits	**16**	124
Others	**21**	(7)
Total	**633**	1,342

Income tax expense

During the six months ended 30 June 2017 and 2018, we were subject to the general tax rate of 25.0% pursuant to the *Enterprise Income Tax Law* (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and became effective as from the same day. Our income tax expense for the six months ended 30 June 2017 and 2018 was RMB14.1 million and RMB13.5 million, respectively, and our effective tax rate for the same periods was 25.2% and 23.6%, respectively.

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

Net profit and total comprehensive income for the period

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB42.0 million and RMB43.8 million for the six months ended 30 June 2017 and 2018, 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 and other expenses in connection with the global offering) (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 (the "**Announcement**").

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

Cash flows

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(33,123)**	(11,741)
Net cash flows from/(used in) investing activities	**6,894**	(1,384)
Net cash flows from financing activities	**20,469**	—
Net decrease in cash and cash equivalents	**(5,760)**	(13,125)
Cash and cash equivalents at beginning of the period	**12,291**	114,409
Effect of foreign exchange rate changes, net	**32**	(2,337)
Cash and cash equivalents at end of the period	**6,563**	98,947

Net cash flows used in operating activities

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

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

Net cash flows used in operating activities for the six months ended 30 June 2018 was RMB33.1 million. Net cash flows generated from operating activities before working capital adjustment was RMB64.0 million. Net cash flows from changes in working capital primarily was consisted of: (i) an increase in loans receivable of RMB109.9 million as a result of the growth our loan business; (ii) a decrease in financial assets at fair value through profit or loss of RMB27.9 million; and (iii) a decrease in other assets of RMB0.3 million. Such cash outflows were partly offset by an increase in other payables of RMB2.5 million mainly attributable to the increase in payrolls payable.

Net cash flows from investing activities

For the six months ended 30 June 2018, our net cash flows from investing activities was RMB6.9 million, which was primarily because we received the payment of dividend from JJHX.

Net cash flows from financing activities

For the six months ended 30 June 2018, our net cash flows from financing activities was RMB20.5 million. Our net cash flows from financing activities was consisted of bank loans of RMB25.0 million, which was offset by interest paid of RMB4.5 million.

Cash management

We have established certain management measures to manage our liquidity. As our business primarily relies 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 2017 and 30 June 2018, the total cash and cash equivalents amounted to RMB12.3 million and RMB6.6 million, respectively, which we consider to be adequate based on our actual working capital needs.

Selected items of the statements of financial position

	As of 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
Assets		
Cash and cash equivalents	**6,563**	12,291
Financial assets at fair value through profit or loss	**3,150**	31,000
Loans receivable	**1,024,647**	919,519
Investment in an associate	**173,233**	177,478
Property and equipment	**1,386**	1,375
Intangible assets	**—**	—
Deferred tax assets	**1,704**	1,446
Other assets	**12,882**	13,221
Total assets	**1,223,565**	1,156,330
Liabilities		
Interest-bearing bank borrowings	**165,000**	140,000
Interest payable	**244**	182
Income tax payable	**9,069**	13,098
Dividends payable	**34,000**	—
Other payables	**9,487**	7,064
Total liabilities	**217,800**	160,344
Net assets	**1,005,765**	995,987

Cash and cash equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2017 and 30 June 2018, we had cash and cash equivalents of RMB12.3 million and RMB6.6 million, respectively. The decrease in our cash and cash equivalents from RMB12.3 million as of 31 December 2017 to RMB6.6 million as of 30 June 2018 was primarily due to the increased volume of our loans.

Loans receivable

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

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

	As of 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
Performing loans receivable[(1)]	**1,025,553**	919,863
Impaired loans receivable[(2)]	**24,877**	20,624
Gross loans receivable	**1,050,430**	940,487
Less: Allowance for impairment losses		
— individual assessed	**(9,758)**	(7,140)
— collective assessed	**(16,025)**	(13,828)
Total allowance for impairment losses	**(25,783)**	(20,968)
Net loans receivable	**1,024,647**	919,519

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 RMB919.5 million as of 31 December 2017 to RMB1,024.6 million as of 30 June 2018, which was generally in line with our business expansion.

As of 30 June 2018, our maturity profiles within six months and over six months accounted for 56.6% and 43.4% of the total loans receivable, respectively. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	*%*	*RMB'000*	*%*
Past due	**43,377**	**4.1**	20,624	2.2
Due within three months	**331,453**	**31.6**	361,305	38.4
Due between three months and six months	**219,200**	**20.9**	337,771	35.9
Due between six months and one year	**336,684**	**32.0**	99,725	10.6
Due over one year	**119,716**	**11.4**	121,062	12.9
Total	**1,050,430**	**100.0**	940,487	100.0

The majority of our loans during the year ended 31 December 2017 and the six months ended 30 June 2018 were guaranteed loans and collateral-backed loans, which accounted for 50.3% and 48.9% our loans receivable as of 31 December 2017 and 47.2% and 49.6% of our loans receivable as of 30 June 2018, respectively. The following table sets forth the balance of our gross loans receivable as of the dates indicated:

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	*%*	*RMB'000*	*%*
Credit loans	**34,299**	**3.2**	7,113	0.8
Guaranteed loans	**495,686**	**47.2**	473,432	50.3
Collateral-backed loans				
— with guarantee	**337,937**	**32.2**	339,221	36.1
— without guarantee	**182,508**	**17.4**	120,721	12.8
Total	**1,050,430**	**100.0**	940,487	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 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
Repossessed assets	**8,060**	8,060
Deferred and prepaid expenses	**3,632**	4,121
Other receivables	**1,190**	1,041
Total other assets	**12,882**	13,221

Income tax payable

Our income tax payable, which represents our current income tax liabilities, was RMB13.1 million and RMB9.1 million, respectively, as of 31 December 2017 and 30 June 2018.

Other payables

Our other payables mainly include surcharges payable, payrolls payable, audit fee, performance bond and others. As of 31 December 2017 and 30 June 2018, our other payables were RMB7.1 million and RMB9.5 million, respectively.

Indebtedness

Interest-bearing bank borrowings

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

	As of 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
Guaranteed bank loans:		
— repayable within one year	**165,000**	140,000
Total	**165,000**	140,000

Corporate bond

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. For more details, please refer to the announcement of the Company dated 11 December 2017, the circular of the Company dated 19 December 2017, the poll results announcement of the Company dated 5 February 2018, the annual report of the Company dated 23 April 2018 and the announcement of termination of proposed issue of bond of the Company dated 15 June 2018.

The *Administrative Measures on Issuance and Trading of Corporate Bonds* (公司債券發行與交易管理辦法) promulgated by the China Securities Regulatory Commission (中國證券監督管理委員會) on 15 January 2015 and the *Guideline on Negative List Regarding Undertaking Non-public Offering of Corporate Bonds* (非公開發行公司債券項目承接負面清單指引) (the "**Guideline**") issued by Securities Association of China (中國證券業協會) (the "**SAC**") govern the undertaking of non-public offering of corporate bonds by underwriting institutions in the PRC. The Guideline was amended by the SAC on 11 May 2018 to include in the Negative List Regarding Undertaking Non-public Offering of Corporate Bonds (非公開發行公司債券項目承接負面清單) micro-credit companies that do not have corporate credit rating of "AA" or above (the "**New Credit Rating Requirement**"), among other things. As the Company does not meet the New Credit Rating Requirement for micro-credit companies under the amended Guideline, the Company decided not to proceed with the issue of the Bonds. For more details, please refer to the announcement of termination of proposed issue of bond dated 15 June 2018.

Contingent liabilities

As of 30 June 2018, we had no material contingent liabilities or guarantees.

Capital expenditures

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Capital expenditures	**291**	162

Related party transactions

The related party transactions as disclosed in note 24(a) to the Interim Financial Statements do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Septwolves Group is a substantial Shareholder and hence a connected person of the Company. Therefore, related party transactions as disclosed in note 24(b) and (c) to the Interim Financial Statements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since such transactions were conducted on normal commercial terms or better and were not secured by the assets of the Company, the transactions 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 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
Operating lease commitments:		
Within one year	**1,411**	1,491
One to two years (inclusive)	**819**	999
Two to three years (inclusive)	**399**	793
Total	**2,629**	3,283

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

Capital commitments

	As of 30 June 2018	As of 31 December 2017
	RMB'000	*RMB'000*
Contracted, but not provided for	**715**	820

As of 30 June 2018, we had commitments for RMB0.7 million.

Key financial ratios

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

	As of/ For the six months ended 30 June 2018	As of/ For the year ended 31 December 2017
Return on equity[(1)]	**N/A[(5)]**	9.1%
Return on assets[(2)]	**N/A[(5)]**	7.9%
Gross loans to total assets[(3)]	**85.8%**	81.3%
Gearing ratio[(4)]	**13.6%**	11.4%

Notes:

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

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

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

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

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

Our gross loans to total assets remained at a high level with increase from 81.3% as of 31 December 2017 to 85.8% as of 30 June 2018, which reflect our high capital utilization ratio. Our gearing ratio reflecting our financial leverage, increased from 11.4% as of 31 December 2017 to 13.6% as of 30 June 2018.

Foreign currency exposure

Since our Group's business activities are mainly operated in the PRC and mainly denominated in RMB, we do not use any derivative financial instruments to hedge the risk of exchange rate changes for the six months ended 30 June 2018.

Off-balance sheet arrangements

As of 30 June 2018, we did not have any off-balance sheet arrangements.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

Our Group did not have any material investments, acquisition or disposal for the six months ended 30 June 2018.

EMPLOYMENT AND EMOLUMENTS

As of 30 June 2018, our Group had 62 employees, all of whom were based in Quanzhou. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

PROSPECTS

Our Group has obtained the approval of conducting online micro-credit business from the Bureau of Financial Affairs of Quanzhou City (泉州市金融工作局) in 2015. By leveraging the innovative trends of the technology, business model and financial instruments of internet financial, we plan to provide financial services to SMEs, families and individuals and to alleviate the problem of financing difficulty of the real economy.

In recent years, our Group has been given development opportunities as regulatory authorities, at all levels, have been tighten up their supervision of the micro-credit industry and other areas, such as internet loans, consumer finance and the financial market is gradually standardizing. After 3 years of observation and demonstration, our Group endeavored to provide open and innovative financial products to our customers and to create our own financial brand. Since 2018, through cooperation with emerging technology finance companies, our Group has launched several innovative micro-credit products, such as Cross-border E-commerce Loan, Convenient Loan, Personal Scene Internet Consumption Loan and etc. Such products aim to improve the customers' experience and help them achieve greater value by center on the customer.

Our Group will continue to increase the investment in the development of e-enterprise. We strive to support business management and risk management by using the risk control measures of big data. Our Group will also attempt to promote the online business and try to create financial scenarios for individuals, individual business and SMEs based on the data and risk control and via technology innovation.

In addition, our Group will continue to apply for the geographical expansion of our business to develop investment business gradually and seek mergers and acquisitions opportunity of financial companies. We also plan to engage in loan consulting business to diversify our credit products and enlarge our customer source.

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 and other expense in connection with 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.

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. For details, please refer to the Announcement dated 29 August 2017. The net proceeds from the Global Offering were applied in the manners as set out in the Announcement.

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 and Corporate Governance Report set out in Appendix 14 to Listing Rules on the Stock Exchange and reviewed its corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

UPDATES ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and supervisors of the Company (the "**Supervisor(s)**) since the date of the Board meeting approving the annual report 2017 up to the date of the Board meeting approving this announcement are as below:

- Mr. Zhu Jinsong resigned as a non-executive Director and ceased to be a member of Audit Committee on 12 June 2018.
- Mr. Ng Seng Chuan resigned as a shareholder representative Supervisor on 12 June 2018.
- Mr. Cai Rongjun appointed as a non-executive Director and a member of Audit Committee on 12 June 2018.
- Mr. Li Jiancheng appointed as a shareholder representative Supervisor on 12 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

Neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2018.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2018.

EVENTS AFTER THE REPORTING PERIOD

Our Group had no significant event after the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Company, internal controls and financial report matters, and the Company's policies and practices on corporate governance. The Interim Results has been reviewed by the Audit Committee and the Company's auditor, Ernst & Young. There is no disagreement by the Company's auditor or Audit Committee with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The Interim Results announcement is published on the websites of the Stock Exchange (*www.hkexnews.hk*) and the Company (*www.qzhuixin.net*). The interim report for the six months ended 30 June 2018 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, 27 August 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. CAI Rongjun; and the independent non-executive Directors are Mr. SUN Leland Li Hsun, Mr. ZHANG Lihe and Mr. LIN Jianguo.

* *For identification purpose only*